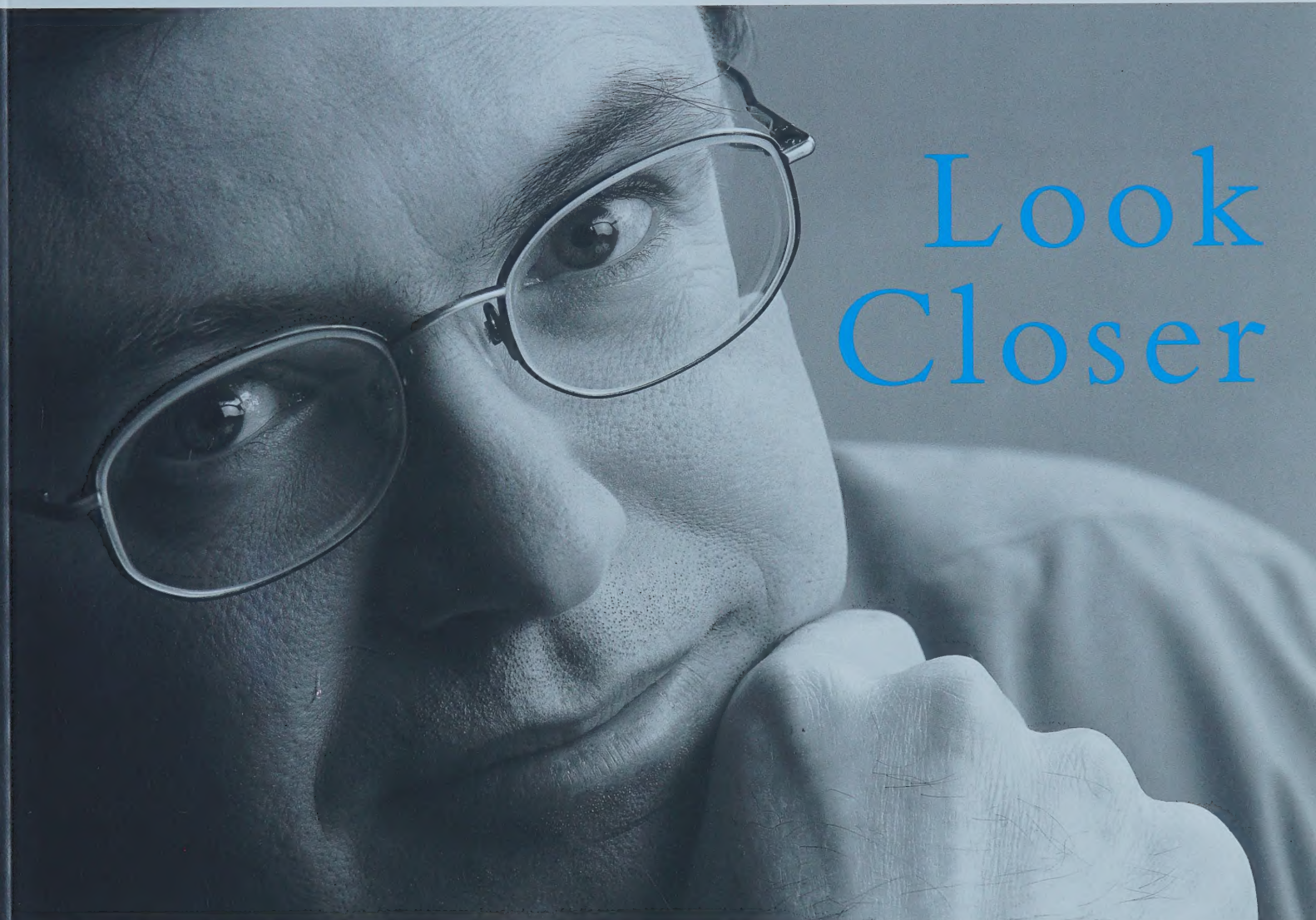


AR68

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Edmonton, Alberta T6G 2R6



Look Closer



SOLUTIONS BUILT AROUND YOU.™

Solutions

Every day we help more Canadians make the most of their money. We do this personally and professionally, tailoring our advice and solutions to each client's unique financial needs.

Investment Planning & Management

Through proven strategies such as asset allocation and international diversification we show clients how to best invest for their future. With access to an extensive range of proprietary funds, as well as other investment options offered through our securities services, we help clients to fully implement their plan.

Retirement Planning

Helping clients define what they want for their retirement and determining the financial resources they'll need are just the initial steps of an Investors Group retirement plan. We work together to develop a personalized savings and investment strategy to help clients realize their goals.

Tax Planning

Personal income tax is the single biggest household expense for most Canadians. Showing clients how to reduce the amount of tax they pay by using tax-effective investment strategies is one of the benefits of our total financial planning approach.

Estate Planning

Much of the work we do for our clients involves creating wealth. By working with clients to develop an effective estate plan, we can help them preserve their wealth and ensure that they and their loved ones continue to benefit from it.

Insurance

Financial security is a key objective of personal financial planning. Through a comprehensive insurance needs analysis, we provide clients with the right insurance program for worry-free financial security.

Cash Management

By showing clients practical strategies for improved money management, such as effective debt management and cash flow planning, we can help clients free up greater savings for building additional wealth.

Contents

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Built Around YouTM

Investment Planning
& Management

Estate Planning

Insurance

Tax Planning

Cash Management

Retirement Planning





See the Opportunities

Corporate Profile

FOR MORE THAN 70 YEARS, Investors Group has been advising Canadians on the benefits of long-term financial planning. As one of Canada's leading financial services companies, we create personal financial solutions for more than one million Canadians. Our 3,626 Representatives offer Investors Group clients a unique package of financial planning services and a full complement of financial and investment options for every stage of life. With more than 90 mutual funds, a variety of Guaranteed Investment Certificates, mortgage options, insurance and securities services, we are well equipped to build effective financial solutions for Canadians. Our Representatives, who live and work in most communities in Canada, enjoy the support of 102 Financial Planning Centres across the country.

Investors Group Inc. is a member of the Power Financial Corporation group of companies. Investors Group's Head Office is located in Winnipeg, Manitoba. The Corporation's shares are listed on The Toronto Stock Exchange and The Winnipeg Stock Exchange.

*On the Cover: Ted Clement. Financially secure with a solid plan for the future. Investors Group Client since 1981.

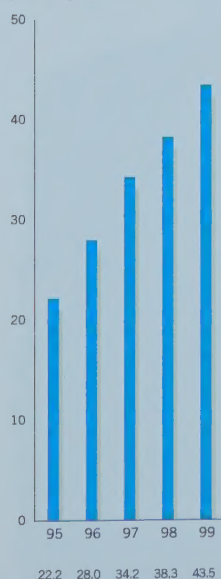
Inside front cover: Mary Gillick, CFP, London, Ontario. Investors Group Representative for 12 years.

Financial Highlights

| | 1999 | 1998 | Change |
|--|---------------|---------------|--------|
| Net Income (in thousands of dollars) | \$ 235,613 | \$ 188,344 | 25.1% |
| Earnings per share | \$ 1.12 | \$ 0.89 | 25.4% |
| Dividends per share | \$ 0.49 | \$ 0.38 | 28.9% |
| Return on average common equity | 26.4% | 23.8% | |
| Mutual Funds (in thousands of dollars) | | | |
| Sales | \$ 5,914,530 | \$ 6,295,975 | -6.1% |
| Redemption rate | 11.9% | 10.0% | |
| Net sales | \$ 1,369,940 | \$ 2,886,574 | -52.5% |
| Assets under management | \$ 40,649,739 | \$ 36,063,827 | 12.7% |
| Insurance (in thousands of dollars) | | | |
| Sales (annualized premiums) | \$ 25,099 | \$ 18,715 | 34.1% |
| In force (face amount) | \$ 18,085,546 | \$ 14,548,371 | 24.3% |
| Securities Operations (in thousands of dollars) | | | |
| External assets gathered | \$ 946,044 | \$ 384,932 | 145.8% |
| Assets under administration | \$ 1,470,758 | \$ 589,728 | 149.4% |
| Mortgages (in thousands of dollars) | | | |
| Originations | \$ 1,010,889 | \$ 958,963 | 5.4% |
| Mortgages serviced | \$ 7,568,806 | \$ 8,144,143 | -7.1% |
| Deposits and Certificates (in thousands of dollars) | | | |
| Sales | \$ 87,014 | \$ 78,225 | 11.2% |
| Deposits & certificates | \$ 306,809 | \$ 371,628 | -17.4% |
| Clients | 1,046,978 | 1,013,206 | 3.3% |
| Client accounts | 4,411,475 | 3,807,042 | 15.9% |
| Representatives | 3,626 | 3,774 | -3.9% |
| Employees | 1,831 | 1,592 | 15.0% |
| Financial Planning Centres | 102 | 100 | 2.0% |

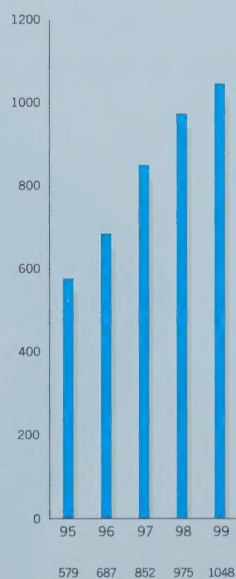
Assets under Management and Administration

As at December 31
(billions of dollars)



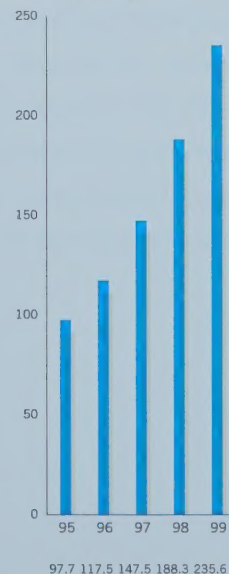
Gross Revenue

For the financial year
(millions of dollars)



Net Income

For the financial year
(millions of dollars)



Report to Shareholders

A strong foundation for growth

The year 1999 continued a lengthy period of evolution and growth for Investors Group. I am pleased to report that the many initiatives we have undertaken, in response to shifting consumer demands, have strengthened our leading position within the Canadian financial services industry.

Over the past decade, Investors Group has evolved from a company focused solely on mutual funds to one that provides clients with tailor-made financial solutions. Growing consumer needs and expectations provided us with many opportunities to expand our variety of products and services and have allowed us to build upon the strength of enduring client relationships. As a result of our holistic approach to our clients' financial needs, the Company's sales of mutual funds and other financial products has continued to grow.

In 1999, Investors Group marked a number of milestones. Assets under management and administration surpassed \$43 billion,

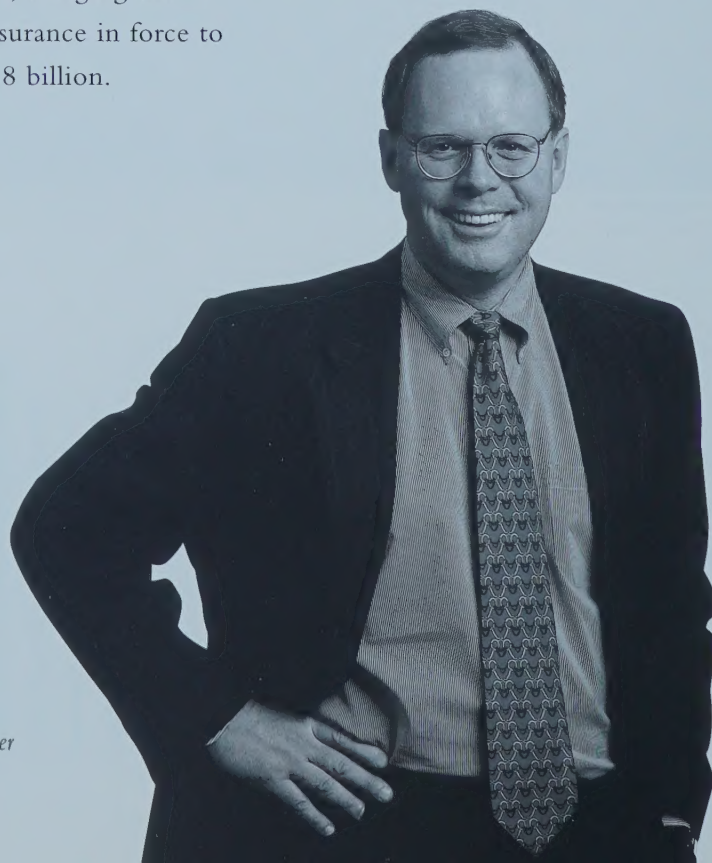
including mutual fund assets in excess of \$40 billion. Earnings per share rose by 25% to \$1.12, a record for Investors Group Inc. Our financial performance allowed the Corporation to increase dividends per share by 11 cents to 49 cents, and improve the return on average equity by 2.6 percentage points to 26.4%. Since 1994, Investors Group Inc.'s earnings have grown an average of 22.7% per year.

Industry-wide, mutual fund sales were down almost \$4 billion as uncertainty prevailed in the equity markets during 1999. Investors Group's mutual fund sales declined by \$381 million, but this result was offset by sales of other products. Insurance sales increased 34%, bringing the amount of insurance in force to more than \$18 billion.

Assets under administration at Investors Group Securities Inc. rose 149% and now total \$1.5 billion. In a highly competitive market, mortgage originations were up 5.4% to more than \$1 billion – a new record for the Company.

Meeting competitive challenges

We realize that in the new consumer dynamic we must compete for *relationships*, not simply the sale of individual products and services. Fortunately, lasting client relationships have long been the hallmark of Investors Group's approach.



H. Sanford Riley,
President and Chief Executive Officer

Over the past year, the retail financial services industry has undergone considerable consolidation and convergence. Banks are pursuing wealth management initiatives. Insurers are emphasizing financial planning and the sale of investment products. Brokers are focusing less on transactions and more on managed assets.

As competitors attempt to emulate our business model, we are continuing to build on the inherent strengths of our network of Representatives and strong client relationships. We have expanded our product range, improved the support and services provided to our Representatives and leveraged our product manufacturing capabilities. All of these enhancements reflect our belief that the key to our future success lies in providing value in our relationships with clients.

Winning client relationships

We are building upon a rich legacy of personal relationships, a strong financial planning ethic and a 70-year record of commitment to the lifelong financial well-being of clients. Our new client promise – *Solutions Built Around You™* – appropriately reflects our commitment to client-focused leadership. We expect to continue winning client trust as more Canadians come to recognize the value of doing business with Investors Group.

Our goal is to be the company to which clients turn when seeking advice and support throughout the many stages and events in their lives. We know that most Investors Group clients have a variety of sophisticated financial needs that we are uniquely positioned to meet. Our personal approach combines the appropriate advice, products and services to help clients achieve their goals.

The number of Investors Group clients grew by 3.3% to 1.05 million in 1999. To attract and retain these clients, who have very diverse financial needs, we have added new insurance products, enhanced Investors Group Securities Inc., and undergone the largest single expansion of investment funds in the Company's history. Our commitment to exemplary client communication was recognized by DALBAR, Inc., a financial services research firm, which rated our new comprehensive client statements the best in the industry.

Building on our strengths

Investors Group's network of financial planning Representatives continues to be one of the Company's greatest assets. Recruiting activities remain focused on attracting top-quality individuals who have the right combination of skills, education and experience to succeed.

In 1999, we introduced a new initial training program, allowing for full-time, concentrated, practical study so that Representatives can

enjoy the best possible start in their career. Our compensation program was also enhanced to further reward Representatives for building stronger ties with clients.

Through economies of scale, Investors Group again achieved lower operating expense ratios in 1999. Reducing the ratio of non-distribution costs allowed the Company to focus resources on enhancing client service and relationships. We continue to improve the overall quality of our client contact centre, and to build Representative productivity through support services, our extensive specialist network, improved technology and on-going training and development.

Of particular significance in 1999 was the formation of Scudder Maxxum Co., an alliance of Scudder Canada Investor Services Co., MAXXUM Fund Management Inc. and Investors Group. This alliance allows

Investors Group to further capitalize on our product manufacturing capabilities. We also developed 20 proprietary funds for the MAXXUM Group of Funds, distributed through Scudder Maxxum Co. and sold exclusively by London Life's sales force. In reciprocal arrangements, our Representatives now have access to world-class investment managers such as Janus, Scudder and MAXXUM. Going forward, we have the opportunity to develop even more products for distribution through Scudder Maxxum Co.

Regulatory developments

In response to the growth and consolidation within the financial services sector, the regulatory community is pursuing a number of important initiatives. We believe these will bring improved

consumer protection and higher standards for financial professionals.

As a company, Investors Group has a long history of supporting improved self-regulation for the benefit of consumers and the betterment of the industry. We fully support the move to standardize the regulations that apply to similar products sold through different distribution channels, and the establishment of higher standards and improved regulation of all Representatives.

Commitment to community giving

Giving back to the communities in which we live and work is a longstanding tradition at Investors Group, and one that makes good business sense. In 1999, Investors Group continued



Michael A. Miller,
*Executive Vice-President,
Products & Distribution*

A. Scott Penman,
*President and
Managing Partner,
I.G. Investment
Management, Ltd.*

Richard E. Archer,
*Executive Vice-President,
Investments*

Gary Wilton,
*Executive Vice-President,
Client & Information Services*

Sandra A. Metraux,
*Senior Vice-President,
Strategy & Corporate
Marketing*

John Wood,
*President and Chief
Executive Officer,
Scudder Maxxum Co.*

to be known as a Caring Company by Imagine – a program of the Canadian Centre for Philanthropy.

Over the years, the Investors Group name has been associated with many worthwhile causes – from athletics and the arts to culture and education. Active volunteering by Representatives helps them establish and strengthen relationships within their local communities.

We were especially pleased to have been a major sponsor of the 1999 Pan Am Games, an event that attracted world attention to our home city of Winnipeg. Many of our employees were among the 20,000 volunteers who helped to make the Games a tremendous success.

A strong and dynamic organization

The results and achievements Investors Group enjoyed in 1999

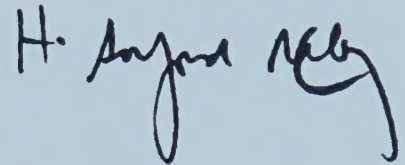
are due largely to the dedication, responsiveness and quality of our people. The exceptional efforts of our Representatives, their assistants and associates and all other employees will keep our organization strong and dynamic.

The wisdom and guidance of our Board of Directors over the past year are greatly appreciated. We were pleased to welcome to the Board Daniel Johnson, a distinguished Canadian and former Prime Minister of the Province of Quebec. Mr. Johnson brings a valuable perspective to Investors Group.

We thank our shareholders, clients, Representatives and employees for their continued support and confidence. As we enter the new millennium,

we see a future filled with opportunities. On the pages that follow, I invite you to look more closely at Investors Group, and to see the undeniable value of our business approach and the promise that it holds for our continued success.

On behalf of the Board,



H. Sanford Riley
President and Chief Executive Officer
Investors Group Inc.
February 3, 2000

Bill McNamee-Lamb,
Senior Vice-President,
Human Resources

Kevin E. Regan,
Senior Vice-President, Sales

Murray D. Kilfoyle,
Senior Vice-President,
Client Services

W. Terrence Wright, Q.C.,
Senior Vice-President,
General Counsel & Secretary

Gregory D. Tretiak,
Executive Vice-President,
Finance

Ronald D. Saull,
Senior Vice-President &
Chief Information Officer





“I know what I want to accomplish. I look
strategies and direction to make it happen.”



JOHN TRANTER, CFP
*Investors Group Representative
for 22 years.*

to John for the

DR. ALGIS MIKELENAS
Dentist, golfer, family man.
Investors Group client since 1981



"The value of our leadership

is evident in the financial achievements of our clients."

— Kevin E. Negan, Senior Vice-President, Sales

leadership

Algis Mikelenas has a few simple goals — provide his four children with a good education and a solid start in life, and enjoy a comfortable retirement with his wife, Violet. Investors Group Representative John Tranter showed him how to reach his goals.

"Under John's guidance, my investments have grown steadily and my goals are now becoming a reality," declares Algis.

SERVICE EXCELLENCE

Meeting changing client needs is at the heart of building life-long relationships. Our Representatives provide clients with exceptional products and services to meet individual financial concerns for every life stage. Investors Group's financial specialists, administrators, investment managers and

technology experts all work with our Representatives to ensure superior client service. A recent survey conducted by DALBAR, Inc., a financial services research firm, evaluated the quality of client service. Many of the Investors Group Representatives participating in the survey surpassed DALBAR's national benchmark for service quality.

The high level of service our clients enjoy gives us a distinct competitive advantage. Its foundation is our dedication to excellence. Our industry-leading comprehensive client statements provide an exceptional tool for monitoring and managing each client's financial plan. Education and training initiatives that are recognized throughout

the industry as superior ensure that our Representatives are highly knowledgeable and professional.

Investors Group upgraded its Representative training programs in 1999 and doubled its annual investment in training. Our Representatives begin their career with a comprehensive full-time training program that covers all aspects of financial planning. Following initial training, Representatives learn through a variety of sources, including joint field work and advanced training schools run by the Investors Group Institute.

FURTHERING INDUSTRY DEVELOPMENT

In 1999, much attention was devoted to strengthening the

clients

Our relationships with clients continue to strengthen and deepen. In addition to investment funds, Investors Group offers a wide range of other financial products and services. Many of our clients use one or more of these products and services.

representatives

Our extensive training and support program provides Representatives with the tools they need to succeed: financial planning, product knowledge and advisory services.



Time-tested, lasting relationships

A well-designed financial plan has staying power for clients

Join the Investors Group for financial solutions that will last

a lifetime

regulatory environment and raising the bar for industry standards. We view our position of leadership within the industry as one of responsibility. Investors Group has been a committed supporter of industry self-regulation, calling for heightened business standards and greater disclosure in the interest of enhancing consumer protection. As deregulation of the financial services industry escalates, we continue to support the establishment of common regulatory standards.

Investors Group executives have a longstanding tradition of serving on industry development committees. We are active participants in the Investment Funds Institute of Canada and the newly formed Mutual Fund

Dealers Association, participating on the board for both and contributing to policy development.

LENDING SUPPORT TO THE COMMUNITY

Over the years Investors Group has had the privilege of supporting a wide range of initiatives, from arts and education, to athletics and local community initiatives, which enrich the quality of life in communities large and small. We are pleased to share our good fortune and hope to inspire others to do the same.

In 1999 Investors Group enjoyed a special opportunity to make a significant difference in our home community of Winnipeg by supporting the Pan Am Summer Games as a major corporate sponsor. Our

CEO, Sanford Riley, acted as Chairman of the Organizing Committee for this international event. A lasting legacy of the Games is the newly constructed Investors Group Athletic Centre at the University of Manitoba.

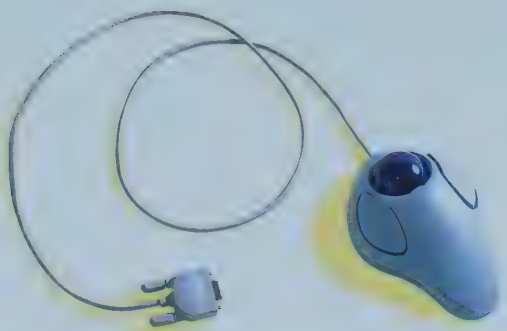
The tremendous success of the Pan Am Games fostered an intense spirit of community, and was an immense source of pride for the people of Winnipeg. More than 20,000 local volunteers came out to make the Games a success, among them many Investors Group employees.

industry

Investors Group is strongly in favour of higher standards for financial planners. We are confident that our Representatives will meet or exceed all proposed new criteria.

community

Our spirit of community giving has been an inspiration to our Representatives and employees. Investors Group is committed to donating 1% of pre-tax profits to Canadian charities and non-profit organizations.




“I really feel that I’ve been able to help Shirley
I know that I’ve earned her trust and



SHIRLEY SHANTZ

Educator, nurse, caregiver, philanthropist.

Investors Group client for 17 years.



realize her goals.
friendship.”

HELEN URLACHER
Investors Group Representative
since 1982.



"Our core values ~~investors group~~ balance the needs of the Company, our clients and our Representatives."

— H. Sanford Riley, President and CEO

values

When she was ready to retire, Shirley Shantz knew she needed a trusted advisor. Investors Group Representative Helen Urlacher was the answer. "Helen takes the time to listen and is really in tune with my personal goals," says Shirley.

With Helen's expert planning and advice, Shirley has preserved her financial independence while providing support to the causes she cares about.

EMPHASIZING QUALITY

From the products and services we provide to the people we hire, Investors Group focuses on quality. As a leader in our industry, and a Company recognized for its strong and dynamic management, we have attracted highly motivated and skilled individuals to our organization.

Our practices for recruiting Representatives emphasize those attributes that are critical for success. We look for individuals who have a professional background in financial services and knowledge of the industry. They must be client-focused and sensitive to the needs of others, as well as dedicated to continuous learning. As a result of more selective recruiting and enhanced training, our Representatives are enjoying greater success. The number of Representatives with a minimum of four years' experience who have successfully established their business has increased by 92% since 1994.

READINESS TO RESPOND

Effective market research with existing and prospective clients,

field-testing and discussions with Representatives ensure that we can anticipate the changing needs of clients. We are meeting the changing needs of our clients by developing the solutions they require. Over the past five years Investors Group has expanded its mutual fund products, insurance and mortgage operations and developed Investors Group Securities Inc.

New technology coupled with an extensive network of specialists has enhanced our ability to meet changing client needs. The Investors Group Advantage™ system puts leading edge technology in the hands of every Representative, improving our ability to provide clients with timely, up-to-date information. In 1999 we significantly

Investors Group

As a lasting legacy of the Pan Am Games, Investors Group is introducing the Team Investors Group Amateur Athletes Fund. It will provide financial support to 20 of Canada's most promising amateur athletes on a yearly basis.

Investors Group

With the click of a mouse, Representatives can introduce clients to a complete range of financial planning solutions appropriate for their needs, stage of life and goals.

Our Core Values

Fundamental to Investors Group's continued success is a common commitment to the collective beliefs and core values that guide our every endeavour.

1. **integrity** Our every action must preserve the trust and confidence placed in us.
2. **quality** We must perform to our highest ability, delivering product and service excellence.
3. **responsiveness** We must meet the challenges of change with innovative and effective solutions.

enhanced system capabilities, adding a Web site dedicated to the information needs of Representatives.

A network of financial specialists enables Representatives to quickly tap into expertise in tax planning, investment planning and management, retirement planning, estate planning, mortgages, insurance and securities, to better serve clients.

We intend to be the company that clients turn to for all their financial planning needs. Our client promise, *Solutions Built Around You*, embodies our commitment to meet the evolving financial needs of Canadians.

IN THE INTEREST OF OTHERS
As a designated Caring Company by Imagine – a program of the

Canadian Centre for Philanthropy, Investors Group is pleased to participate in a wide range of worthwhile causes. A particular emphasis is placed on supporting the young people of our country. Through educational initiatives such as our Money & Youth program, we are able to share our financial expertise with high-school students across Canada.

Investors Group also provides cultural organizations with both financial support and promotional and organizational expertise. In 1999 we worked closely with the Gardiner Museum of Ceramic Art in Toronto to bring the exceptional *Maya Universe* exhibit to Canada. *This Other Eden*, the highly acclaimed touring exhibition of Canadian Folk Art, has also benefited from our

national advertising campaign and financial support.

We share in our country's passion for sport and provide financial assistance to a variety of athletic endeavours such as Volleyball Canada, the Coaching Association of Canada, figure 'skating and golf. We are especially proud of the support we can provide to amateur athletes. We fully appreciate the dedication, determination and drive that are essential to their success, as these qualities are equally evident in every successful Investors Group Representative.

professionalism

Investors Group actively encourages and provides support to Representatives who pursue professional development by attaining the Certified Financial Planner (CFP) designation.

excellence

DALBAR, Inc., a leading financial services research firm, has ranked Investors Group's newly designed comprehensive client statements as the best in our industry.



“It’s important to have someone looking
financial picture – not just my investments and tax
but also my retirement dreams and estate planning



CHARBEL YOUWAKIM
*Investors Group Representative
since 1998.*

after my entire
planning,
concerns.”

DAVID GOZLAN

*Entrepreneur, sports enthusiast,
grandfather. Recently discovered
the Investors Group advantage.*



“Our goal is to be the company clients turn to for all

their financial needs.”

— Sandra A. Metraux, Senior Vice-President, Strategy
and Corporate Marketing

evolution

Representative Charbel Youwakim enhances the financial position of his clients through innovative strategies and a holistic financial planning approach. He showed David Gozlan how restructuring his investment portfolio could reduce taxes while preserving purchasing power and delivering managed long-term growth.

“Financial services are continually changing,” explains Charbel. “I help clients see how to use new developments to their advantage.”

A TOTAL-SOLUTION APPROACH

Our solutions-based approach begins with building a trusted relationship with our clients. As our clients have become increasingly knowledgeable, we have broadened the scope of products and services we

offer, enhancing our ability to meet a full range of financial planning needs.

During 1999, Investors Group completed the single largest product expansion in the Company's history. We partnered with four new brand name asset managers – Templeton Management Limited, AGF Funds Inc., Scudder Kemper Investments, Inc. and MAXXUM Fund Management Inc. Through these partnerships, we provide Investors Group clients with access to investment management from several well-respected asset management firms.

Our Master Series™ group of funds was expanded to include four 100% RSP eligible international funds, providing our

clients with an innovative way to increase the foreign content of their registered investments beyond the current limit of 20%. Eight segregated funds, offering two levels of principal guarantees, were launched over the course of 1999, addressing a growing concern among clients about increasing volatility within the capital markets.

Investors Group Securities Inc. is a key component of our total-solution approach. Through their account, clients can hold Investors Group proprietary funds, other mutual funds and a full range of marketable securities. Representatives are able to offer self-directed retirement programs.

Investors Group Securities Inc. experienced remarkable growth

products

In a year of record product expansion, 28 new investment choices were introduced in 1999. Clients can now choose from a total of 42 Master Series™ funds, eight of which are portfolio funds. Eight segregated funds that offer two levels of principal guarantees were also added. Twenty-four additional funds are advised by seven well-known financial asset management companies.

services

Investors Group Securities Inc. provides full securities services to clients. In 1999 assets under administration grew to \$1.5 billion from \$590 million.



Setting a New Standard

Through the successful evolution of our business, we will increase the number of Representatives who will be able to address a growing number of financial needs.

in the past year. Assets under administration reached \$1.5 billion, growing at a compound monthly rate of 8%. Our plans call for continued expansion of this service in 2000. We expect to increase the number of securities specialists and plan to invest substantially in service improvements.

Through a new relationship with Sun Life Assurance Company of Canada, we broadened our insurance offering to include an attractive Universal Life and term insurance portfolio. Insurance sales continued to experience significant growth in 1999. More Representatives became licensed to sell insurance, and the average number of policies per Representative increased.

STRATEGIC ALLIANCES

Investors Group has a long history of forging successful strategic alliances that further the Company's objectives. Our relationship with The Great West Life Assurance Company has been instrumental in helping us develop our successful insurance operation.

In April of 1999, Investors Group forged an alliance with Scudder Kemper Investments, Inc. which included the creation of Scudder Maxxum Co. This relationship is of strategic significance to Investors Group. We provide the necessary infrastructure – finance, technology, compliance, administration and training – for Scudder Maxxum Co. to seek new opportunities in

the Canadian marketplace. In return, we gain access to additional internationally recognized investment expertise for our clients.

Through Scudder Maxxum Co., Investors Group is also able to manufacture additional mutual fund products under the Scudder Maxxum name for distribution through other channels. This allowed for the creation of comprehensive investment products for exclusive distribution by a network of 2,700 London Life representatives.

technology

It's vital for our Representatives to remain at the leading edge of technology. During 1999, we introduced the second generation of the exclusive technology platform that we provide to Representatives.

representatives

Our progressive compensation system attracts top professionals to our Company and encourages successful long-term client relationships.



“Eighteen years ago, Dale came to me looking for
and Jamie have all their financial bases covered.”



DALE AND JAMIE KOEPKE
*Business owners, parents,
travellers. Investors Group
clients for 18 years.*

an RRSP. Today, he

ROLFE MCEWAN, CFP
*Investors Group Representative
since 1981.*





"While competitors may try to emulate our highly successful business model, Investors Group continues to set the standard for personal financial planning services."

— Michael A. Miller, Executive Vice-President, Products and Distribution

opportunity

Dale and Jamie Koepke certainly appreciate all that Representative Rolfe McEwan has done for them. "Rolfe has been very proactive," notes Dale, "suggesting strategies and identifying timely opportunities to help us achieve more."

Today, Dale and Jamie are on track to meet their goals, including an early retirement. And being financially secure allows them to do what they enjoy most — spend time with family, ski, golf and travel to exotic destinations.

GREATER NEEDS AND EXPECTATIONS

People today have a much greater awareness of financial matters. We see this as a result of several factors: increased education on the part of the industry, easily

accessible financial information via the Internet and the media, greater awareness of financial services through advertising and promotion, and changes in demographics (more Canadians are entering the age group where personal finances are of prime importance). With more information to consider, we believe people will need to seek professional advice when making financial decisions. As trusted advisors to more than one million Canadians, our Representatives have the knowledge and experience to meet this growing need.

The retail financial services sector is undergoing a transformation. It's becoming an industry based on relationships rather than one driven by individual

products and services. Investors Group is at the forefront of this evolutionary wave. Clients today are looking for specialized financial solutions, yet appreciate the simplicity of working with one trusted advisor. To continue to win these relationships, we are committed to delivering value that goes beyond products.

As our clients achieve greater financial success, their financial needs increase in complexity and scope, requiring unique expertise and individual solutions. We are continuously remodelling our products and services to meet these demands and enhancing the training and support we provide for Representatives.

To build on our success, we have redefined the Investors

only

Investors Group has more than one million clients. Assets under management and administration exceed \$43 billion.

only

Investors Group reaches Canadian consumers through 3,626 Investors Group Representatives, and 2,700 London Life representatives who distribute products under the Scudder Maxxum brand.



Positioned for growth

As one of Canada's largest financial services companies, and the leading provider of personal financial planning services to Canadians, Investors Group has the size and strength to continue to succeed.

Group image through advertising and promotion, broadening our appeal to encompass a wider range of Canadians with varying degrees of financial sophistication. Our client promise, *Solutions Built Around You*, expresses the very essence of what Investors Group can provide to Canadians and clearly distinguishes us from our competitors.

As our clients achieve greater financial success, we anticipate that they will need customized portfolio management. We continue to look for new opportunities to better serve their changing needs.

BUILDING ON OUR STRENGTHS

As a large, well-managed, and

financially strong company, Investors Group is prepared to act on opportunities as they arise, and to make necessary business improvements when they are needed. The creation of Scudder Maxxum Co. is a prime example of how we can use our size and scale to further expand our future growth opportunities.

Our solid financial and organizational resources will allow us to continue to make significant investments in areas such as training, technology, product development and compliance. With growing consumer demands and increased regulation, we anticipate that smaller organizations will find it increasingly difficult to compete

and that convergence within the industry will continue.

One of our most valued assets is our 3,626 highly trained and motivated Investors Group Representatives. An advisory force of this scale provides us with a significant competitive advantage. We are continually fine-tuning our approach to ensure we attract the very best candidates, and remain at the forefront of sales force development in our relations with Representatives.

Financial strength

Investors Group is a financially strong, well capitalized company. At the end of 1999, total Shareholders' equity was \$967 million.

Client promise

Solutions Built Around You reflects our appeal to the growing market of Canadians who are looking for financial planning services tailored to their unique needs.

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Management's Discussion and Analysis Highlights

Sales

Mutual fund sales third highest in history, insurance sales, securities operations and mortgage originations reach record highs

- Sales of mutual funds at \$5.9 billion remained relatively consistent with 1998 and represents the third highest level of sales in the history of the Corporation. Net sales in 1999 decreased by 52.5% to \$1.4 billion, consistent with industry declines.
- Insurance sales increased 34.1% in 1999 to a record \$25.1 million. The value of new term policies sold during the year was equivalent to that of the sixth largest term life insurer in Canada.
- Investors Group Securities Inc. experienced a significant increase in assets gathered during 1999. New assets of \$946 million were generated through Investors Group Securities Inc., an increase of 145.8% from \$385 million in 1998.
- Mortgage originations reached \$1.01 billion, a 5.4% increase over 1998 and a new record. Over 84% of these originations were sourced with the assistance of our Representatives.

Mutual Fund Assets per Representative

Mutual fund assets per Representative increased 15.9% during 1999 and reached a record \$11.1 million

- Mutual fund assets per Representative reached its highest level in the Corporation's history during 1999.
- This reflects the increase in scope of products and services, the continued development of the Corporation's training process, and the utilization of sophisticated personal financial planning software to better assist Representatives in advising clients.
- Another critical factor in increasing assets per Representative was the continued improvement in the retention of experienced Representatives. During 1999 the number of Representatives with more than four years' experience grew to 2,068, representing 57.0% of the sales force, compared to 52.6% in 1998.

Expense Reductions

Non-distribution expense ratio improved 6.7% to 28 basis points (bps) from 30 bps in 1998

- The Corporation monitors its non-distribution costs, which are controlled through the management of fixed costs, improved productivity, and effective and continual investments in technology.
- Non-distribution costs have decreased significantly from 54 bps to 28 bps of average mutual fund assets under management over the 5-year period. They decreased 2 bps, or 6.7%, in the current year.
- The target level of 30 bps was achieved two years ahead of the target date set by the Corporation in its strategic plan.
- The Corporation's strategic plan also includes initiatives designed to increase the proportion of expenses which support distribution activities and Representatives. Currently, 61.6% of total expenses are related to distribution activities, improved from 42% five years ago.

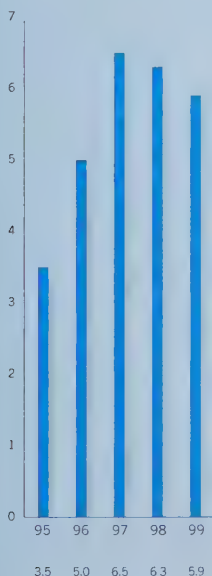
Net Income Growth

Eighth consecutive year in which net income has grown by 15% or more

- Earnings increased 25.1% in 1999, the third highest increase in the Corporation's history, and the eighth consecutive year of growth of 15% or greater.
- Earnings per share were \$1.12, an increase of 25.4% from \$0.89 in 1998.
- Fee income increased 8.4% from 1998 levels and represents 88.5% of gross revenue. This was primarily a result of the higher level of mutual fund assets under management. Stronger markets in 1999 contributed to the increase in assets under management of \$4.6 billion.
- Return on equity for 1999 was 26.4%, compared with 23.8% in 1998.

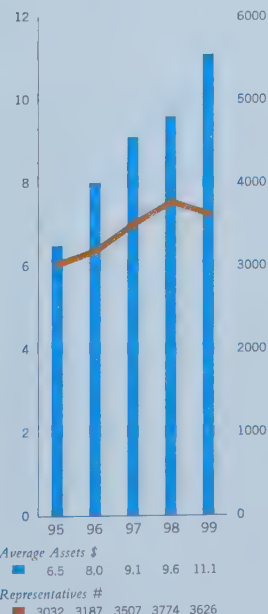
Mutual Fund Sales

*For the financial year
(billions of dollars)*



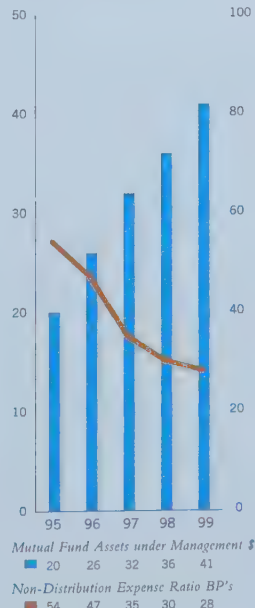
Average Mutual Fund Assets per Representative

*As at December 31
(millions of dollars)*



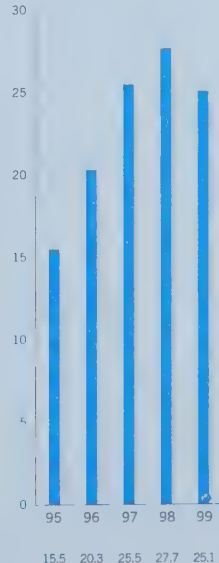
Non-Distribution Expense Ratio

*For the financial year
(billions of dollars)*

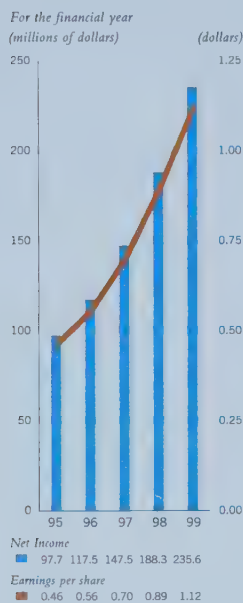


Net Income Growth

*For the financial year
(%)*

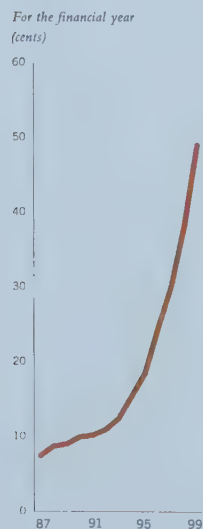


Net income and earnings per share



Quarterly dividends have increased eight-fold since the initial dividend in 1987.

Dividends per share



Comparison of 1999 with 1998

SUMMARY OF OPERATING RESULTS

In 1999, Investors Group experienced continued growth in revenues and effective control of expenses. The Corporation achieved record net income of \$235.6 million. This represents an increase of 25.1% from 1998 earnings of \$188.3 million. Earnings per share were \$1.12, up from \$0.89 in 1998.

Fee and investment income of \$1,048.5 million increased 7.5% over 1998. Operating expenses incurred in the earning of fee and investment income amounted to \$600.6 million, a decrease from the \$605.3 million in 1998. These expenses (excluding commissions) as a percentage of average assets under management were 0.69% in 1999, down from 0.73% in 1998, reflecting Management's effective monitoring and control of expenses.

Shareholders' equity increased to \$966.9 million as at December 31, 1999, from \$850.9 million at December 31, 1998. Return on average common equity was 26.4%, compared with 23.8% in 1998. The quarterly dividend per common share was increased to 13 cents (52 cents annually) during 1999.

THE FINANCIAL SERVICES ENVIRONMENT

During the past decade, the retail financial services industry has experienced considerable growth and substantial change. Some of the factors contributing to industry growth are:

- Changes in investment habits.
- Increasing ease of investment in capital markets.
- Greater knowledge and understanding of investment products among the general public.
- Shifting demographics – the move of the baby boom generation into peak saving and investing years.

Increased competition and deregulation

A changing and expanding marketplace has brought a substantial increase in competition. Domestic and foreign service providers, including banks, financial planners, investment dealers, insurance companies and others, are seeking to provide a comprehensive range of services. In addition, the nature of these services is shifting. Several years ago, the industry was focused on offering single, distinct products to clients. Today, in response to the broadening of clients' needs and their increasing sophistication, products and services are more integrated, and are designed to meet clients' overall financial requirements.

Industry deregulation has allowed market participants to compete in related industries within the financial services sector. In addition to expanding the array of products and services companies could offer, deregulation has enabled companies to broaden their delivery channels to attract clients.

Investors Group has successfully responded to these trends, enhancing its comprehensive financial planning approach by:

- Expanding its offering of financial products and services to include mortgages, insurance, securities, and other financial products that complement the Corporation's managed investment products.
- Redesigning its Representative training program in response to the increase in the complexity and number of financial products and services.

- Implementing sophisticated financial planning tools to assist Representatives in providing clients with sound personal financial advice.
- Improving the level of service and support provided to clients and Representatives.

Growth of mutual funds

The mutual fund market has grown substantially over the past decade and has continued to assume a more prominent role in the financial services industry. Assets under administration for the industry increased by \$63.1 billion to \$389.7 billion during 1999. This rate of growth reflects the balanced effects of net sales and strong market performance.

Most analysts predict that the industry's long-term growth will continue in an environment of low interest rates and low inflation. They estimate that by the year 2007, total fund assets under administration may exceed \$700 billion.

In 1999, industry sales of mutual funds declined slightly to \$117.6 billion from \$121.6 billion in 1998. Sales were weak early in the year, as a result of continued market volatility, but rebounded late in 1999 as markets gained strength. Redemptions increased in 1999, driven by market volatility, concerns about increases in short-term interest rates and year-2000 worries. Net sales of mutual funds were \$17.7 billion in 1999, a decrease of 49.9% from \$35.4 billion in 1998.

SALES RESULTS

Investors Group continued to experience near-record sales in 1999. The record levels achieved for insurance, securities operations and mortgage products indicate the key role that a diversified product base can play in enhancing client relationships. The availability of a broad range of products provides Representatives with cross-selling opportunities and a means of diversifying the source of their income, especially important during periods of market volatility.

Mutual funds

Sales of Investors Group's mutual funds were relatively consistent with 1998 levels. These results are very encouraging, considering that market volatility, which began in 1998, continued into the first half of 1999. Total sales in 1999 were \$5.9 billion – the third-highest level of sales in the Corporation's history. This represents a 6.1% decrease from the \$6.3 billion in sales in 1998. Excluding money market funds, Investors Group's mutual funds sales decreased 11.6%, compared with a decrease of 16.9% for the industry.

Investors Group's sales mix shifted during 1999, reflecting greater demand for foreign investments and money market funds. Sales of money market funds increased to 19% of mutual fund sales from 14% in 1998. In the fourth quarter of 1999, as some investors took cash positions amid concerns about the possible effects of the change to the year 2000, money market fund sales accounted for 23% of mutual fund sales.

Equity fund sales continued to dominate mutual fund sales in 1999, representing 46% of sales. Sales of international equity funds increased by 41%, while sales of North American equity funds declined by 19%. Fixed-income fund sales continued to experience growth, increasing 12% in 1999. Sales of balanced funds accounted for 19% of mutual fund sales in 1999, down from 27% a year earlier.

Decline in the 5-year GIC rate



Factors contributing to the long-term growth in mutual fund assets

- Continuing environment of historically low interest rates.
- Demographic changes resulting in more individuals focusing on saving and investing.
- Growing number of companies providing mutual funds to consumers.

Net sales of mutual funds were \$1.4 billion in 1999, compared with \$2.9 billion in 1998. This represents a decrease of 52.5%, which is slightly higher than the industry decrease of 49.9%. Excluding money market funds, the Corporation's net sales decreased by 57.1%, compared with a 63.4% decline for the industry.

Insurance

During 1999, Investors Group recorded the highest level of insurance product sales in the Corporation's history. Sales of insurance products increased 34.1% to more than \$25 million in annualized premiums.

Securities operations

Investors Group Securities Inc., the Corporation's securities operation, experienced a significant increase in assets gathered during 1999. New assets of \$946 million were generated through Investors Group Securities Inc., an increase of 145.8% from \$385 million in 1998.

Mortgages

Sales of mortgage products were equally strong, with mortgage originations reaching more than \$1 billion – the highest total in the Corporation's history.

TABLE 1: SALES OF FINANCIAL PRODUCTS AND SERVICES

| <i>(in thousands of dollars)</i> | 1999 | 1998 | Increase (Decrease) | Change |
|--|---------------------|--------------|--------------------------------|---------------|
| Mutual Funds | | | | |
| Investors Master Series™ | | | | |
| Equity | \$ 2,145,399 | \$ 2,545,678 | \$ (400,279) | (15.7)% |
| Balanced | 847,900 | 1,182,570 | (334,670) | (28.3) |
| Fixed income | 752,104 | 775,434 | (23,330) | (3.0) |
| Money market | 1,070,455 | 899,017 | 171,438 | 19.1 |
| | 4,815,858 | 5,402,699 | (586,841) | (10.9) |
| Partner funds | | | | |
| Equity | 284,091 | 307,843 | (23,752) | (7.7) |
| Balanced | 233,450 | 524,535 | (291,085) | (55.5) |
| Fixed income | 107,051 | 60,898 | 46,153 | 75.8 |
| | 624,592 | 893,276 | (268,684) | (30.1) |
| Scudder/MAXXUM funds | | | | |
| Equity | 292,150 | – | 292,150 | – |
| Balanced | 29,519 | – | 29,519 | – |
| Fixed income | 80,650 | – | 80,650 | – |
| Money market | 71,761 | – | 71,761 | – |
| | 474,080 | – | 474,080 | – |
| Sales | 5,914,530 | 6,295,975 | (381,445) | (6.1) |
| Redemptions | 4,544,590 | 3,409,401 | 1,135,189 | 33.3 |
| Net sales | \$ 1,369,940 | \$ 2,886,574 | \$ (1,516,634) | (52.5)% |
| Mortgage originations | | | | |
| | \$ 1,010,889 | \$ 958,963 | \$ 51,926 | 5.4 % |
| Securities operations | | | | |
| | \$ 946,044 | \$ 384,932 | \$ 561,112 | 145.8 % |
| Deposits | | | | |
| | \$ 87,014 | \$ 78,225 | \$ 8,789 | 11.2 % |
| Insurance (annualized premiums) | | | | |
| | \$ 25,099 | \$ 18,715 | \$ 6,384 | 34.1 % |

Review of the Business

Investors Group's core business is to provide personal financial planning services to Canadians. Through the Corporation's network of highly trained and well-supported Representatives, Investors Group offers a comprehensive package of financial planning services and products. Representatives work personally with clients to review financial objectives and develop plans for achieving financial goals. To implement these plans, Representatives introduce clients to a complete package of products and services. These include mutual funds, insurance, securities services, mortgages, guaranteed investment certificates, annuities and loans for registered investments.

Investors Group continues to look for ways to broaden its reach in the Canadian marketplace. Through an alliance between MAXXUM Fund Management Inc. and Scudder Canada Investor Services Co., Scudder Maxxum Co. is able to distribute mutual funds through other distribution channels, such as the London Life sales force, full-service and discount brokers, insurance companies and other financial intermediaries, as well as directly to consumers.

The Corporation earns revenue primarily from management fees associated with its mutual funds, fees charged to its mutual funds for administrative services and distribution fees charged to account holders for the distribution of its mutual funds by Investors Group's financial planning Representatives. Revenue is also earned from the distribution of insurance products and securities services. Additional revenue is derived from investment certificate operations, mortgage operations and providing administrative services to other parties.

Investors Group's revenues depend largely on the value and composition of assets under management. Fluctuations in financial markets can affect revenues and operating results. By offering a broad range of products and services to meet the varied needs and objectives of individual clients, Management believes that the base of assets under management is secure. Investors Group's distribution system of qualified financial planning Representatives, combined with a financial planning approach that emphasizes long-term, conservative investment goals, will help it withstand any downward pressure on revenue caused by market volatility. The effectiveness of this approach has been demonstrated by consistent levels of sales and by redemption rates for the Corporation's funds that are among the lowest in the industry.

CLIENT RELATIONSHIPS

Our business is based on long-term relationships built upon sound financial planning principles.



Sources of fee income

• Management fees

Investors Group earns fees for advising and managing its mutual funds. Management services include responsibility for the investment function.

• Administration fees

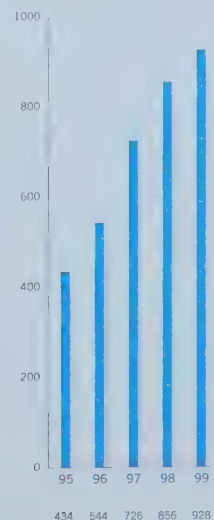
Investors Group receives revenue for the administrative services associated with certain of its mutual funds.

• Distribution fees

Account holders of Investors Group's proprietary mutual funds are charged for the distribution services provided by the Corporation's financial planning Representatives. Distribution income is also earned from the sale of insurance products and securities services.

Fee income

For the financial year
(millions of dollars)



CORPORATE STRATEGY

Investors Group continually reviews its corporate strategy to ensure that it is appropriate for both the current financial services environment and any anticipated changes that would affect the industry. The Corporation strives to ensure that the interests of shareholders, clients, Representatives and employees are as closely aligned as possible.

Investors Group's strategic plan focuses on four key themes:

1. Emphasizing the delivery of financial planning advice, products and services through a dedicated network of highly trained and well-supported professional Representatives.
2. Extending the diversity and range of products offered by Investors Group to continue to meet the changing needs of the Corporation's broad spectrum of clients, and to compete effectively.
3. Maximizing returns on business investment by:
 - Capitalizing on economies of scale through its relationships with Great-West Lifeco Inc. and London Insurance Group Inc.
 - Controlling expenditures – the target for non-distribution costs is 20 bps of assets under management.
 - Focusing resources on initiatives that have direct benefits for clients and Representatives – the objective is to continue to increase the proportion of expenses that support distribution activities from the current level of 61.6%.
4. Effectively leveraging the Corporation's mutual fund manufacturing capabilities to gain access to other distribution channels.

CORE BUSINESS

Financial Planning Representatives

Investors Group distinguishes itself from the competition through its distribution network of highly knowledgeable and professional financial planning Representatives who are associated with 102 financial planning centres located across Canada. Representatives meet regularly with clients to develop and review their personal financial plans, providing high levels of ongoing service. For the most part, these plans are based on a conservative investment philosophy that emphasizes stable, longer-term returns in combination with reasonable levels of risk.

Investors Group redesigned its Representative compensation, recognition system and training programs during 1999. These programs were re-aligned to meet the key strategic objectives of client service, sales force growth and productivity and asset retention. Compensation for Representatives is designed to encourage a balance of sales and service activities. Recognition was enhanced for each stage of a Representative's career. The Corporation expects that these initiatives will ensure that Investors Group remains competitive in the marketplace.

Recruiting and retention

Changes in Investors Group recruiting practices in recent years have continued to emphasize the hiring of top-quality candidates. The Corporation seeks individuals with backgrounds in financial services or in related industries and professions. The background and skills of these individuals significantly increase the likelihood that they can develop successful relationships with clients. This approach is yielding

Investors Group attracts and retains high-quality Representatives by offering:

- Extensive training to ensure that Representatives are knowledgeable in all aspects of personal financial planning.
- A broad range of products and services to fully meet the financial planning needs of clients.
- State-of-the-art computer equipment, software and support for timely, ongoing client service.
- Financial planning support and services to make Representatives more productive.
- Attractive compensation and recognition programs that encourage the retention of clients and client assets.

positive results. While fewer Representatives are being recruited, those joining Investors Group are enjoying greater success.

At the end of 1999, Investors Group counted 3,626 financial planning Representatives in its network, a decrease from 3,774 a year earlier, primarily because of the more difficult environment in which to attract qualified recruits. The percentage of Representatives with more than four years' experience continued to increase, climbing to 57.0% from 52.6% a year earlier. This measure indicates growth in the number of Representatives who have successfully established themselves with Investors Group.

Investors Group is recognized throughout the financial services industry for the quality of its Representatives. There is constant pressure on the Corporation to retain Representatives and to respond to the recruiting initiatives of other organizations. Management believes that it has effectively responded to these challenges by revising compensation levels, increasing training and support and broadening the scope of products and services to develop an attractive platform for Representatives. Investors Group is confident that it will continue to attract and retain highly qualified professionals as it further enhances the quality and scope of its offer to Representatives.

Training

An increase in the complexity and number of financial products and services, as well as the introduction of more sophisticated financial planning techniques, has made it essential for Investors Group Representatives to be properly trained and supported. During 1999, the Corporation began redesigning its Representative training program to continue to compete effectively.

Representatives now begin their career with Investors Group by attending the new *Career Training 1* program, which involves 10 weeks of full-time, dedicated study in all aspects of personal financial planning. *Career Training 1* has been accredited by the Canadian Institute of Financial Planning as the equivalent of the first course of the Certified Financial Planner (CFP) accreditation program.

The Corporation is in the process of developing *Career Training 2*, which is to be launched in April 2000. Representatives will attend this program approximately nine months after they complete *Career Training 1*.

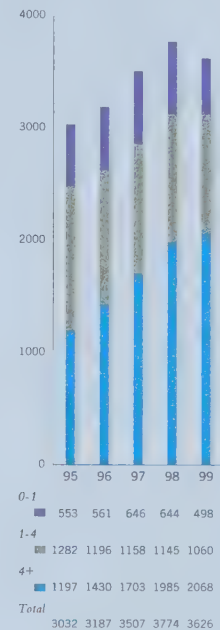
Advanced training will continue to be provided by the Investors Group Institute. The ongoing development of the Institute demonstrates Management's continued emphasis on the importance of training. The Institute provides ongoing comprehensive training and education to Investors Group Representatives and employees. To further enhance training in financial planning, the Institute has established relationships with a Canadian university and other providers of financial education.

Investors Group fully supports recent initiatives by the financial services industry to introduce uniform qualification requirements for use of the "financial planner" designation and enhanced levels of training for financial planners. In anticipation of this, the Corporation now requires that all new Representatives achieve their CFP designation, or the equivalent in the province of Quebec, by the end of their fifth year with Investors Group.

Investors Group is retaining more experienced Representatives

Representatives by years of experience

As at December 31
(#)



The training of Investors Group Representatives

Career Training 1:

Full-time study completed in the first 10 weeks with Investors Group.

Career Training 2:

Completed after nine months of field experience.

Ongoing training and development:

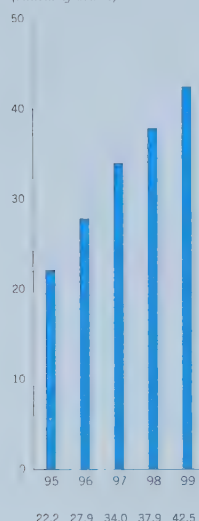
Provided by Division Managers and Region Managers in each Region.

Advanced training:

Offered through the Investors Group Institute.

Assets under management

As at December 31
(billions of dollars)



Investors Group Investment Management

Investors Group portfolio managers have 229 years of combined investment management experience. Average tenure with Investors Group is 14 years.

Productivity

During the year, Investors Group continued to emphasize the importance of Representative productivity and client service through a number of corporate initiatives. During the year, the Corporation:

- Completely upgraded the 3,600 laptop computers Investors Group Representatives use with new, more powerful versions.
- Introduced Investors Group AdvantagePlus™, the Corporation's private Web site exclusive to the sales force. Investors Group AdvantagePlus™ provides secure access to product and market information, mutual fund prices and rates, financial planning reference material, client statements and Investors Group Securities Inc. client information.
- Brought the Investors Group Advantage™ Help Desk back in-house, thereby providing more effective technical and business support to Representatives. As well, the Contact Centre continues to offer Representatives both telephone and electronic-mail access to highly trained service representatives who provide information on products and client portfolios.
- Increased the number of Associate Representatives who assist experienced Representatives in providing services to their client base.
- Continued the development of sales assistants. While sales assistants do not participate in the actual sales and advisory processes, they contribute to Representative productivity by performing a number of administrative and client-related tasks.

Products and services

One of Investors Group's major objectives is to provide clients with an extensive range of financial products and services to help them achieve their financial planning goals. Over the past several years, the Corporation has implemented several key initiatives to ensure that it continues to offer products and services that enable Investors Group Representatives to strengthen their client relationships.

Mutual funds

In 1996 Investors Group began a major expansion of the mutual fund products it offers, extending the scope and range of investment choices. During the past four years, 40 new funds have been offered to Investors Group clients, attracting a total of \$7.8 billion in assets. Management believes that enhancing the scope and diversity of its clients' investment opportunities will increase the attractiveness of Investors Group's products and services. The Corporation will continue to look for new opportunities to further diversify its mutual fund products.

Investment management Investors Group's investment management function has been instrumental in ensuring adherence to one of the basic tenets of the Corporation's financial planning philosophy: to encourage clients to save and to allocate their assets among diverse investments for increased longer-term returns. For Canadians, an increasingly important aspect of diversification is to invest internationally.

Investors Group continues to demonstrate initiative in identifying overseas investment opportunities, currently offering 19 international funds. The Corporation operates a European subsidiary, located in Ireland, which manages the majority of the Corporation's international fund assets and provides timely,

qualified advice on global investment developments and their impact on Investors Group Master Series™ funds.

To attain solid performance results for its Master Series™ funds and to ensure the long-term success of the investment management function, the Corporation employs experienced, highly trained portfolio managers. The overall focus of Investors Group's fund managers is to achieve reasonable investment returns while restricting risk to relatively low levels.

Investors Group's team management approach ensures that fund managers operate in a manner consistent with the Corporation's investment philosophy and defined code of conduct, and that they comply with fund investment objectives.

Exposure to different investment advisory services and investment management styles can further diversify client portfolios. Through relationships with external investment advisors, in the form of 24 partner funds, Investors Group provides clients with access to a range of investment advisory services and investment management styles.

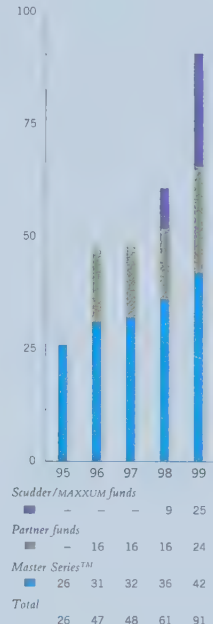
| Master Series™ | Partner Funds | | | |
|--|--|---|--|--|
| Canadian and Global • value • blend • growth 42 funds | Can. Value • Scudder • Rothschild • Sceptre • Beutel Goodman 9 funds | Can. Growth • Maxxum • AGF 4 funds | | |
| | US Value • Scudder • Rothschild 2 funds | US Growth • AGF 1 fund | | |
| | Global Value • Templeton • Rothschild 5 funds | Global Growth • Scudder • AGF 3 funds | | |
| | | | | |

ENHANCED PRODUCT SHELF

- Investment Management is diversified by style, manager and brand.
- Advisors to the Master Series™ funds include AIB Govett Asset Management Limited, Carlson Investment Management Far East Ltd., Murray Johnstone International Limited and YMG Capital Management Inc.

Number of mutual funds offered through Investors Group

As at December 31
(#)



Master Series™ funds A key component of the mutual fund expansion was to broaden the range of in-house managed funds. A total of 16 new funds have been added since 1996, with six Master Series™ funds introduced in 1999. The expansion of Investors Group Master Series™ funds is further evidence of the Corporation's efforts to provide a diverse offering to clients. A number of funds added over the past four years provide clients with access to a range of investment opportunities in both foreign and domestic markets, and different industry sectors.

Four of the new funds introduced in 1999 are designed for clients who want greater foreign exposure in their registered portfolio than the current limit of 20% allows. These funds are 100% RSP-eligible, using Canadian derivative instruments invested to track the performance of existing foreign content mutual funds. These types of funds are often referred to as "RSP clone funds."

During 1999, Investors Group introduced Investors Retirement High Growth Portfolio, designed to appeal to more aggressive investors who are saving for retirement. The Corporation also launched Investors Quebec Enterprise Fund, which invests in Quebec-based companies and is managed by Investors Group's Quebec-based investment management operation.

Partner funds One element of Investors Group's mutual fund expansion in 1996 was the introduction of a number of new proprietary funds offering a range of investment advisory services through relationships with other investment management firms. With a range of management styles from which to choose, clients are able to meet their objectives within the Corporation's offering of funds.

I.G. Insurance Services Inc. currently has distribution agreements with:

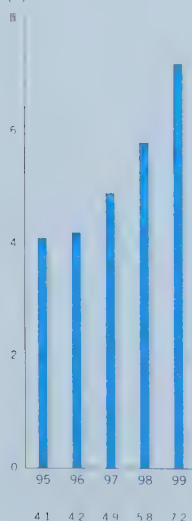
- The Great-West Life Assurance Company
- The Canada Life Assurance Company
- Maritime Life Insurance Company of Canada
- Sun Life Assurance Company of Canada

Through these arrangements, Investors Group is able to offer a comprehensive range of term, universal life, whole life, disability and group insurance products.

The value of new policies placed through I.G. Insurance Services Inc. is at a level equivalent to the new business of Canada's sixth largest term life insurer.

Sales of Insurance cases per Representative

For the financial year (#)



During 1999, Investors Group further expanded the range of investment advisory services it offers. As a result of its alliance with Scudder Canada Investor Services Co., Investors Group Representatives can offer clients access to the internationally recognized investment management expertise of Scudder Kemper Investments, Inc., the global investment arm of Zurich Financial Services Group, and to MAXXUM Fund Management Inc. MAXXUM Fund Management Inc. also provides exclusive access to the management expertise of top U.S. investment manager Janus Capital Corporation. In addition, the Corporation established relationships with highly regarded investment managers Templeton Management Limited and AGF Funds Inc., and continues its successful relationships with Rothschild Asset Management Limited, Sceptre Investment Counsel Limited and Beutel, Goodman & Company, Ltd. – firms that have been providing investment advisory services to partner funds since 1996.

Investors Group's investment management function oversees external advisors and ensures that their activities are consistent with the Corporation's investment philosophy and with fund investment objectives and strategies.

The Corporation now offers 24 partner funds, which are distributed exclusively by Investors Group Representatives. Partner funds have been organized in a similar manner to the Master Series™ funds. As a result, clients benefit from Investors Group's expertise in mutual fund distribution and administration, while the Corporation maintains its internal operating margins in fund operations.

In 1999, partner funds accounted for 9.8% of Investors Group's assets under management. The Corporation plans to examine additional opportunities for new relationships with external parties.

Insurance

Investors Group views insurance as a core financial product for providing security and protection as part of a client's overall financial plan. The Corporation has distributed insurance products for a number of years and is always seeking opportunities to expand the scope of insurance products available to Investors Group clients. In 1999, I.G. Insurance Services Inc., the Corporation's insurance subsidiary, entered into an agreement with Sun Life Assurance Company of Canada to distribute its Universal Life and Term insurance products.

New policies sold and overall insurance in force increased during 1999. The average number of policies sold per Representative increased to 7.2 from 5.8 in 1998. Distribution capabilities expanded as a result of an increase in the number of Representatives with insurance licenses. The number of Representatives who maintained insurance licenses in 1999 increased to 92% from 85% in 1998.

Distribution of insurance products was further enhanced through the addition of five specialists to the Corporation's network, bringing the total to 41 insurance specialists. Located in regional offices, these specialists assist Representatives with the selection of appropriate insurance products for clients.

Investors Group views insurance as a key aspect of the Corporation's distribution business that continues to demonstrate significant growth and has substantial potential for the future.

Securities operations

Self-directed retirement savings plans and registered income funds are key components in the development of a financial plan for many Investors Group clients. These products provide an opportunity for clients to consolidate their assets with Investors Group in order to take full advantage of the advice and services of Representatives and the Corporation's securities specialists.

Investors Group Securities Inc. is a securities service operation that facilitates the consolidation of client assets. A number of developments during 1999 further enhanced the service's effectiveness in attracting client assets to Investors Group. These included:

- Expanding the products that can be held in client accounts to include both Investors Group products and third-party products.
- Simplifying administration to make it easier for clients to consolidate their assets in Investors Group products.
- Providing additional advisory services through securities specialists for high-net-worth clients referred by Investors Group Representatives.
- Providing Representatives with a software application that provides online secured access to view client accounts, a security-search feature to identify uninvested cash balances and continuous access to information.

During 1999, assets under administration in Investors Group Securities Inc. grew by 149% to reach nearly \$1.5 billion. The number of Investors Group clients using this service continues to grow. By year-end, 83% of Representatives had clients who maintained accounts with Investors Group Securities Inc., a substantial increase from 66% in the prior year. This level of penetration is expected to increase in 2000.

Management believes that by successfully developing and enhancing the operation of Investors Group Securities Inc. it will continue to attract and retain high-quality Representatives, deepen relationships with existing clients and appeal to a growing segment of sophisticated and knowledgeable investors.

Mortgages

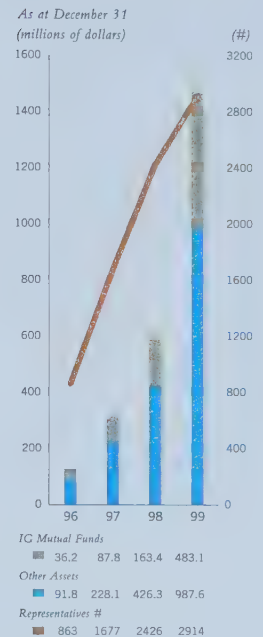
Investors Group views residential mortgages as an important financial product and an integral part of a personal financial plan. By offering this product, the Corporation assists Representatives in strengthening their relationships with clients.

The Corporation's Representatives are an important source of steadily increasing, high-quality mortgage investments. Through their close involvement in the development of clients' financial strategies, Representatives are able to refer clients to Investors Group mortgage operations. Investors Group employs 71 mortgage specialists in key residential markets who work with Representatives to originate mortgages.

Evidence of the success of this approach is the significant proportion of residential mortgages originating from the Corporation's existing client base and the improvement in impaired loans in both Corporate and fund portfolios.

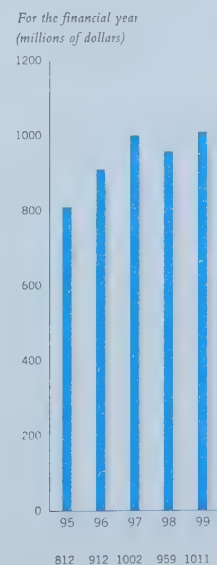
Growth in mortgage operations During 1999, the Corporation sourced new mortgages with a total value exceeding \$1 billion. The proportion of residential mortgages sourced with the assistance of Representatives remained steady at 84%. While most of these new mortgages were sold to third parties through Investors

Investors Group Securities Inc. Assets under administration



- 22,559 clients used Investors Group Securities Inc. in 1999 compared with 9,906 in 1998.
- Representatives can refer clients to one of the 10 securities specialists available through Investors Group Securities Inc.

Mortgage originations



Investors Group mortgage operations 8th largest in Canada

During 1998, Investors Group entered into an agreement with London Life Insurance Company and The Great-West Life Assurance Company to originate and service residential mortgages. The Corporation also sells mortgages to third-parties. A total of \$5.3 billion in mortgages is now serviced by Investors Group on behalf of external clients. When combined with the Corporation's own portfolio, Investors Group is now the 8th largest servicer of mortgages in Canada.

Client statements

- Investors Group's client account statements were substantially enhanced in 1998 to increase the level of disclosure and provide a comprehensive view of all client investments.
- With these enhancements, client account statements are a valued tool for Representatives helping clients plan for their future.
- In 1999, DALBAR, Inc., a financial services research firm, rated Investors Group client statements as the best in the industry.

Group's mortgage banking operation, the servicing of these mortgages will continue to be provided by the Corporation.

Investors Group mortgage operations also provide both origination and servicing to:

- Investors Mortgage Fund, which, because of its size, requires a steady stream of high-quality mortgages.
- Investors Group Trust Co. Ltd., the Corporation's trust subsidiary.
- Investors Syndicate Limited, an investment certificate subsidiary.
- London Life Insurance Company and The Great-West Life Assurance Company.

Segregated funds

Sales of segregated funds have experienced substantial growth in Canada over the past several years. They are attractive to investors because they offer a guarantee related to all or a portion of the capital invested. A segregated fund is technically an insurance product, although it has many characteristics similar to mutual funds. To address this growing market, the Corporation introduced eight segregated funds in 1999 to be distributed solely by Investors Group Representatives. These funds offer two levels of guarantees – 75% and 100% of the principal invested. The investment component of these products is managed by Investors Group while the insurance component is underwritten by The Great-West Life Assurance Company.

Additional products and services

Investors Group continues to provide its clients with guaranteed investment certificates offered by Investors Group Trust Co. Ltd. and a range of other financial institutions. Other products and services offered include annuities and loans for registered investments.

Cost and service improvements

Through effective cost control, leveraging technology and capitalizing on economies of scale, Investors Group has been able to reduce costs and improve the quality of service provided to clients and Representatives.

Technology and related improvements in recent years include:

- Providing the entire sales force with laptop computers featuring Internet access and an exclusive extranet to ensure that Representatives have access to the World Wide Web, product information, and current client statements on a timely basis.
- Continued development of financial planning software to support Representatives in providing financial solutions to clients.
- Centralization of the mortgage servicing function in the Corporation's head office.
- Automation of mortgage application processing.

In order to maintain a high level of client service while controlling operating expenses, Investors Group is continually upgrading its administrative services and client information systems. These services include ensuring that client accounts are properly maintained, that transactions are appropriately recorded and that client orders are accurately and expeditiously executed.

During 1999, the Corporation was able to realize economies of scale by integrating certain functions common to Investors Group, The Great-West Life

Assurance Company and London Insurance Group Inc. This involved the consolidation of:

- The Data Centre at a single location, overseen by a common management team. This included the mainframe processors and data storage areas.
- The Sales Automation Support Centre for Representatives and the technical support centres for both employees and Representatives.
- Accounting services for certain mutual funds and segregated funds activities.

In addition, Investors Group has been able to negotiate cost-effective arrangements with various suppliers as a result of its relationships with The Great-West Life Assurance Company and London Insurance Group Inc.

Currently, Investors Group is working with The Great-West Life Assurance Company and London Insurance Group Inc. to develop shared corporate systems for common functions such as order entry and compensation. The consolidation of these systems is expected to yield significant client service improvements and cost savings.

ALTERNATIVE CHANNELS

Significant developments

MAXXUM Fund Management Inc.

In 1998, Investors Group acquired the MAXXUM Group of Funds from London Insurance Group Inc. through its subsidiary MAXXUM Fund Management Inc. This acquisition has provided Investors Group with access to 2,700 sales representatives from London Insurance Group Inc. At the end of 1999, MAXXUM funds represented \$1.1 billion in assets under management.

MAXXUM Fund Management Inc. provides Investors Group with the exclusive rights for distribution in Canada of funds sub-advised by Janus Capital Corporation, recognized as one of the top money managers in the U.S. MAXXUM American Equity Fund and MAXXUM Global Equity Fund were renamed early in 2000 to reflect the Janus name.

Scudder Maxxum Co.

During 1999, Investors Group was able to further advance its strategic objectives with the formation of Scudder Maxxum Co., a partnership created through the alliance of MAXXUM Fund Management Inc. and Scudder Canada Investor Services Co. This partnership provides Investors Group with the opportunity to broaden the range of products offered to clients, experience economies of scale, capitalize on its product manufacturing capabilities and gain access to other distribution channels including full-service and discount brokers, insurance companies and other financial intermediaries, as well as directly to consumers.

Over time, Scudder Maxxum Co. will benefit from the existing infrastructure available through Investors Group – finance, technology, compliance, administration and training. The new partnership brings 10 no-load funds from Scudder, accounting for \$694 million in assets in addition to the nine funds acquired through MAXXUM.

While this alliance provides access to other distribution channels, Scudder Maxxum Co.'s priority remains to supply the sales force of London Insurance Group Inc. with a complete range of investment products.

Products

Through its subsidiary, MAXXUM Fund Management Inc., and the Scudder Maxxum Co. partnership, Investors Group provides 20 mutual funds for distribution by the sales force of London Insurance Group Inc. These include four new funds advised by London Life Investment Management Ltd., two new funds advised by Templeton Management Limited, nine MAXXUM funds, of which two are advised by Janus Capital Corporation and five Scudder funds.

In addition, through Scudder Maxxum Co., Investors Group provides nine MAXXUM funds and 10 Scudder funds to other distribution channels, including direct to consumer, full-service and discount brokers, and other financial intermediaries.

In 1999, mutual funds distributed through alternative channels account for \$1.8 billion in assets. The Corporation intends to expand this aspect of its business and sees significant potential for growth.

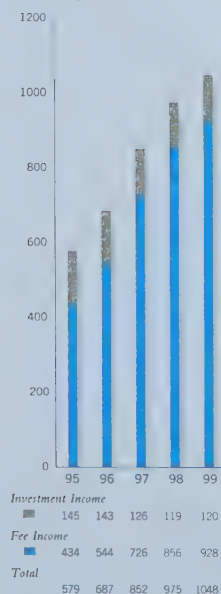
DISTRIBUTION CHANNELS

| Distribution Channels | Investors Group Salesforce | London Life Salesforce | Full Service Brokers | Discount Brokers | Direct |
|-----------------------|----------------------------|--|----------------------|------------------|------------|
| Mutual Funds | Master Series™ 42 | Maxxum 7 | Maxxum 7 | Maxxum 7 | Scudder 10 |
| | Partners 24 | Scudder 5 | Scudder 9 | Scudder 10 | |
| | | London Life 4 | Janus 2 | Janus 2 | |
| | | Janus 2 | | | |
| Other Products* | | Templeton 2 | | | |
| | Insurance | | | | |
| | Securities | | | | |
| | Mortgages | | | | |
| Manufacturers | GICs | | | | |
| | Other Products | | | | |
| | Investors Group | Scudder Maxxum Co. and MAXXUM Fund Management Inc. | | | |
| | | | | | |

* not all products are manufactured by Investors Group

Fee and investment income

For the financial year
(millions of dollars)



Review of Operating Results

REVENUE

Investors Group derives revenue from two major sources: fee income and investment income.

Fee income

Fee income is generated from the management, administration and distribution of 66 Investors Group mutual funds, plus the funds offered by MAXXUM Fund Management Inc. and Scudder Maxxum Co. The distribution of insurance products and the provision of securities services provides additional fee income.

Fee income represented 88.5% of gross revenue in 1999, compared with 87.8% in 1998. Total fee income rose by \$72.2 million to \$927.9 million, an 8.4% increase over 1998 results. This reflects the growth in assets under management and the associated fee revenues.

To provide a stable level of fee income, the Corporation must continue to achieve high levels of assets under management. The level of assets under management is influenced by the following three factors: sales, redemption rates and investment management. Investors Group's redemption rate during the year was 11.9%, which is among the lowest in the industry. During 1999, investment management services provided reasonable capital preservation, thereby maintaining high asset values.

TABLE 2: REVIEW OF FEE INCOME

| <i>(in thousands of dollars)</i> | 1999 | 1998 | Increase (Decrease) | Change |
|----------------------------------|------------|------------|------------------------|--------|
| Management | \$ 714,097 | \$ 657,619 | \$ 56,478 | 8.6% |
| Administration | 130,109 | 128,810 | 1,299 | 1.0 |
| Distribution | 83,732 | 69,322 | 14,410 | 20.8 |
| Total fee income | \$ 927,938 | \$ 855,751 | \$ 72,187 | 8.4% |

Management fees

Investors Group earns management fees from services provided to the Corporation's mutual funds. Current annual fees for management services range from .65% to 2.4% of assets under management. During 1999, management fee revenue increased by \$56.5 million to reach \$714.1 million, an increase of 8.6%. This increase is a result of the growth in mutual fund assets under management.

TABLE 3: MUTUAL FUND ASSETS UNDER MANAGEMENT

| <i>(in thousands of dollars)</i> | 1999 | 1998 |
|----------------------------------|----------------------|----------------------|
| Investors Master Series™ | | |
| Equity | \$ 19,353,504 47.6% | \$ 17,067,966 47.3% |
| Balanced | 8,342,454 20.5 | 7,887,027 21.9 |
| Fixed income | 5,944,612 14.6 | 5,988,627 16.6 |
| Money market | 1,204,681 3.0 | 803,471 2.2 |
| | 34,845,251 85.7 | 31,747,091 88.0 |
| Partner funds | | |
| Equity | 1,979,166 4.9 | 1,510,266 4.2 |
| Balanced | 1,730,138 4.2 | 1,833,928 5.1 |
| Fixed income | 289,135 0.7 | 174,836 0.5 |
| | 3,998,439 9.8 | 3,519,030 9.8 |
| Scudder/MAXXUM funds | | |
| Equity | 1,305,408 3.3 | 490,219 1.4 |
| Balanced | 133,639 0.3 | 105,321 0.3 |
| Fixed income | 213,293 0.5 | 148,928 0.4 |
| Money market | 153,709 0.4 | 53,238 0.1 |
| | 1,806,049 4.5 | 797,706 2.2 |
| | \$ 40,649,739 100.0% | \$ 36,063,827 100.0% |

Administration fees

Investors Group earns administration fees for:

- Administrative services provided to the Corporation's mutual funds through its subsidiaries.
- Services as trustee for the Corporation's mutual funds, through the subsidiary Investors Group Trust Co. Ltd.

During 1999, Investors Group earned a total of \$130.1 million in administration fees as compared with \$128.8 million in 1998. Trustee fee revenue increased by 8.1%, to \$18.5 million from \$17.1 million in 1998. While assets under management increased during 1999, fees charged to the mutual funds for administrative services

Distribution fees are earned from:

- Redemption fees or back-end loads on mutual funds, excluding money market funds. These fees are payable on a declining basis when clients redeem their funds within a certain time period. In most instances, front-end loads on the sale of mutual funds are no longer payable.
- Distribution of insurance products through I.G. Insurance Services Inc.

remained relatively constant as a result of the Corporation's effective control of costs.

Distribution fees

The Corporation earns distribution fees in connection with the products it distributes. During 1999, distribution fee income rose by \$14.4 million. This increase is largely a result of fee income earned from the distribution of insurance products, which increased 34% during the year.

Investment income

Investors Group's investment income includes interest and dividends earned on cash and short-term investments, marketable securities and mortgage loans. It also includes gains and losses on the sale of securities, the Corporation's share of an affiliate's earnings and income related to mortgage banking activities.

Investment income totalled \$120.5 million in 1999 and represents 11.5% of gross revenue, compared with 12.2% in 1998. This decline reflects the substantial increase in fee income during 1999.

Net investment income

The Corporation measures net investment income as the difference between investment income and interest expense. Interest expense is the interest on deposit liabilities, certificates and debt. Net investment income on a taxable equivalent basis was \$85.7 million, an increase of 9.2% or \$7.2 million from the 1998 level of \$78.5 million. The increase is a result of lower average interest-bearing liabilities, primarily a result of the retirement of the \$100 million 1989 Series debenture which matured on June 15, 1999. Average interest-bearing liabilities were \$505 million, down 21% or \$138 million from 1998 levels.

Investment margin

Investment margin represents the net investment income divided by average earning assets. This margin increased 69 bps to 6.82% in 1999 from 6.13% in 1998 as a result of the decrease to 40.2% from 50.2% in the proportion of earning assets funded by interest-bearing liabilities.

TABLE 4: NET INVESTMENT INCOME, TAXABLE EQUIVALENT BASIS (TEB)

| <i>(in thousands of dollars)</i> | 1999 | 1998 | Variance |
|---|------------|------------|------------|
| Investment income ⁽¹⁾ | \$ 119,422 | \$ 123,941 | \$ (4,519) |
| Interest expense | 33,749 | 45,476 | 11,727 |
| Net investment income (analyzed in Table 5) | 85,673 | 78,465 | 7,208 |
| Share of earnings of affiliate | 17,880 | 13,070 | 4,810 |
| Total | \$ 103,553 | \$ 91,535 | \$ 12,018 |

(1) Includes dividend gross-up of \$16,771 (1998 - \$17,805)

TABLE 5: ANALYSIS OF NET INVESTMENT INCOME (TEB)

| <i>(in thousands of dollars)</i> | | | | | | |
|--|--------------------|--------------------|-----------------|--------------------|--------------------|-----------------|
| | 1999 | | | 1998 | | |
| | Average Balance | Income/ Expense | Average Rate | Average Balance | Income/ Expense | Average Rate |
| | (1) | (2) | | (1) | (2) | |
| Total earning assets | \$1,255,810 | \$119,422 | 9.51% | \$1,279,561 | \$123,941 | 9.69% |
| Other assets ⁽³⁾ | 531,085 | | | 483,748 | | |
| Total assets | 1,786,895 | | | 1,763,309 | | |
| Total interest-bearing liabilities | 504,917 | 33,749 | 6.68% | 642,670 | 45,476 | 7.08% |
| Other liabilities | 388,544 | | | 330,742 | | |
| Shareholders' equity | 893,434 | | | 789,897 | | |
| Total liabilities and shareholders' equity | \$1,786,895 | | | \$1,763,309 | | |
| Net investment income | | \$ 85,673 | | | \$ 78,465 | |
| Investment spread ⁽⁴⁾ | | | 2.83% | | | 2.61% |
| Investment margin ⁽⁵⁾ | | | 6.82% | | | 6.13% |

(1) Based on monthly averages

(2) Tax Equivalent Basis includes dividend gross-up of \$16,771 (1998 – \$17,805)

(3) Other assets include investment in affiliate

(4) Average return on earning assets less average rate paid on interest-bearing liabilities

(5) Net investment income divided by average earning assets

TABLE 6: CHANGE IN NET INVESTMENT INCOME (TEB), 1999 COMPARED WITH 1998

| <i>(in thousands of dollars)</i> | | | |
|------------------------------------|---------------------------------------|--------------------------------|---------------|
| | Increase (decrease) due to change in: | | |
| | Average Balance | Average Rate ⁽¹⁾ | Net Change |
| Total earning assets | \$ (2,301) | \$ (2,218) | \$ (4,519) |
| Total interest-bearing liabilities | 9,748 | 1,979 | 11,727 |
| Change in net investment income | \$ 7,447 | \$ (239) | \$ 7,208 |

(1) Changes due to a combination of balance and rate have been allocated to rate variances

EXPENSES

Expenses reflect the cost of doing business for Investors Group and are made up of two major components: commissions and non-commission expenses.

Commissions

Investors Group incurs commissions expense in connection with the distribution of its financial services products, particularly the Corporation's mutual funds. Representatives earn commissions on the sale of Investors Group products and, as a result, commissions expense will fluctuate to a significant extent with the level of sales.

The Corporation charges 50% of commissions paid to expense immediately and amortizes the remainder over 18 months. Commissions expense also includes an asset retention bonus based on the level of client assets serviced.

Commissions expense decreased by \$14.4 million, or 4.2%, to \$326.5 million compared with \$340.9 million in 1998. The decline in commissions expense was primarily a result of lower mutual fund sales.

Taxable Equivalent Basis

To allow for a uniform measurement and comparison of net investment income that arises from both taxable and tax-exempt sources, net investment income is analyzed on a Taxable Equivalent Basis (TEB). This procedure grosses up tax-exempt income to an equivalent before-tax basis and better reflects the economic yield of the assets.

TABLE 7: COMMISSIONS EXPENSE

| <i>(in thousands of dollars)</i> | 1999 | 1998 | Increase (Decrease) | Change |
|----------------------------------|-------------------|-------------|--------------------------------|---------------|
| Mutual funds | | | | |
| Cash commissions | \$ 178,625 | \$ 206,945 | \$ (28,320) | (13.7)% |
| Less: deferred portion | 86,988 | 100,458 | 13,470 | 13.4 |
| Expensed in | | | | |
| current year | 91,637 | 106,487 | (14,850) | (13.9) |
| Amortization of | | | | |
| deferred commissions | 95,189 | 109,462 | (14,273) | (13.0) |
| | 186,826 | 215,949 | (29,123) | (13.5) |
| Other commissions | 18,577 | 15,556 | 3,021 | 19.4 |
| Asset retention and | | | | |
| other bonuses | 121,136 | 109,432 | 11,704 | 10.7 |
| Total | \$ 326,539 | \$ 340,937 | \$ (14,398) | (4.2)% |

Non-commission expenses

Non-commission expenses encompass all other costs Investors Group incurs in operating its business. They include variable costs, fixed costs and strategic initiative expenditures. During 1999, non-commission expenses totalled \$274.0 million. This total includes strategic and restructuring expenditures of \$37.1 million in support of the development and implementation of the Corporation's strategic plan. Excluding these expenditures, non-commission expenses were \$236.9 million, representing an increase of \$25.9 million, or 12.3%, from 1998. Variable costs rose by 16.2% to \$51.4 million. Fixed costs increased by \$20.6 million, or 12.5%, and were largely driven by initiatives related to the expansion of the Corporation's distribution activities.

Expenses for strategic initiatives

In support of the strategic plan, expenditures were incurred for the following:

- Furthering the Corporation's strategic plan.
- Development and launch of additional products.
- The redesign of the Representatives training program.
- Integration associated with the acquisition of MAXXUM Group of Funds and formation of the Scudder Maxxum Co. partnership.
- Development of Investors Group corporate image and *Solutions Built Around You* advertising campaign.

Restructuring and business improvement expenditures

Expenses were incurred for the following:

- Year 2000 readiness project and business continuity planning.
- Complete rollover of more than 3,600 laptop computers for Investors Group Representatives. All laptop computers were upgraded and reconfigured to support the Investors Group Advantage™ system.
- Integration of information technology services with The Great-West Life Assurance Company and London Insurance Group Inc.
- The redesign of the sales compensation structure for Representatives and sales management.

TABLE 8: NON-COMMISSION EXPENSES*

| <i>(in thousands of dollars)</i> | 1999 | 1998 | Increase (Decrease) | Change |
|----------------------------------|------------|------------|------------------------|--------|
| Fixed expenses | \$ 185,296 | \$ 164,659 | \$ 20,637 | 12.5% |
| Variable expenses | 51,418 | 44,267 | 7,151 | 16.2 |
| Provision for credit losses | 202 | 2,118 | (1,916) | (90.5) |
| Total expenses | \$ 236,916 | \$ 211,044 | \$ 25,872 | 12.3% |

* excluding strategic initiatives, restructuring and business process improvements

Variable costs

Variable costs fluctuate with the levels of sales, number of Representatives and clients and level of assets under administration. They include variable compensation, distribution support costs and costs for investment advisory services. Variable costs increased 16.2% from 1998. The increase reflects increases in the volume of insurance and mortgage sales and related expenditures, as well as additional variable expenses related to the operation of MAXXUM Fund Management Inc. and Scudder Maxxum Co.

Fixed costs

Improvements in productivity and continuing investments in technology have allowed Investors Group to manage fixed costs and control expenses effectively, while expanding and enhancing business and support activities. Fixed costs increased by 12.5% in 1999, reflecting the impact of cost control in an expanding business.

The increase in fixed costs in 1999 was mainly a result of expenditures made in support of the Corporation's distribution function. These included expenditures related to:

- Operating MAXXUM Fund Management Inc. and Scudder Maxxum Co.
- Expanding and enhancing the securities and insurance operations.
- Increasing Representative training through Investors Group Institute.

In addition, Investors Group continued to expand and redesign the office space for Region Offices to assist Representatives in the conduct of their business. The expansion of Region Offices also reflects the planned growth in the number of Representatives, an increase in the number of sales assistants who provide support to Representatives and a more effective use of the space for business activities.

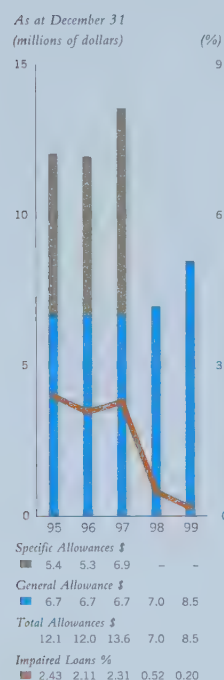
Investors Group continues to upgrade and enhance the Investors Group Advantage™ System, the business system supplied to Representatives. Investors Group Advantage™ provides Representatives with laptop computers, advanced software tools, state-of-the-art financial planning software and electronic access to client information through network connections.

These expenditures are consistent with Investors Group's strategic plan, which calls for directing resources to the distribution function. The ratio of distribution support expenditures to total expenditures increased slightly, to 62% during 1999, from 61% in 1998.

A major component of Investors Group's fixed costs is employee compensation and benefits. Since 1994, the average number of employees associated with the

Investors Group's approach to managing fixed costs reflects the Corporate objectives of balancing cost control with the need to expand the business and pursue revenue-enhancing opportunities.

Mortgage asset quality



During 2000, Investors Group does not expect any significant losses in its mortgage portfolio because:

- The portfolio is 100% residential and 53% insured.
- 88% of the portfolio is owner occupied.
- 84% of loans were originated by Investors Group Representatives.
- The mortgages in the portfolio are geographically diverse.
- The Corporation continues to apply strict credit risk management policies.

Corporation's mutual fund activities has remained relatively constant, while assets under management and administration have almost tripled. The maintenance of staffing at these levels during a period of substantial growth is a result of Investors Group's investment in productivity improvements and technology.

FINANCIAL POSITION

Investors Group's on-balance sheet assets totalled \$1.812 billion at December 31, 1999 compared to \$1.799 billion in 1998.

Securities

Investors Group's holdings of securities increased \$50.8 million, or 13.7%, to \$420.7 million at the end of 1999. This represents 23.2% of total assets compared with 20.6% in 1998. The market value of the Corporation's portfolio as at December 31, 1999, exceeded cost by \$82.1 million, compared with \$122.6 million in 1998.

The Corporation continually strives to ensure that its portfolio holdings are of the highest quality. To manage the market and credit risk associated with a securities portfolio, a Senior Management Investment Committee monitors the Corporation's portfolio and approves all purchases. This committee regularly reviews the portfolio to identify holdings where there has been a loss that is not a temporary decline and writes down these securities to recognize the loss. Management also reviews the portfolio to establish appropriate and prudent allowances where permanent impairment is not yet evident.

Mortgage loans

During 1999, mortgage loans decreased by 11.3%, or \$39.2 million, to \$308.9 million. They represent 17.0% of total assets, in comparison with 19.4% in 1998.

The decline in mortgage loans can be attributed to investors' preference for longer-term equity investments over short-term investments such as GICs and term deposits, which fund mortgage investments.

Credit risk

As at December 31, 1999, residential impaired loans totalled \$0.7 million, representing 0.20% of the total mortgage portfolio, compared with \$2.0 million, or 0.52%, in 1998. Investors Group continuously monitors its credit risk management policies to evaluate their effectiveness. A risk rating system assists Management in identifying potential problems with mortgage loans so they may be addressed in a proactive manner. These policies and practices have resulted in the effective control of impaired loans.

Management continued its conservative policy of maintaining adequate allowances to absorb all known and foreseeable credit-related losses in the mortgage loan and real estate portfolio. The allowance for credit losses exceeded residential impaired loans by \$7.8 million as at December 31, 1999, and \$5.1 million at December 31, 1998. The expense charged for credit losses in the current period was \$0.2 million compared with \$2.1 million in 1998.

TABLE 9: CONDENSED BALANCE SHEET

| <i>(in thousands of dollars)</i> | 1999 | 1998 | Increase (Decrease) | Change |
|--|----------------------|----------------------|------------------------|--------------|
| Cash and short | | | | |
| term investments | \$ 527,523 | \$ 569,602 | \$ (42,079) | (7.4)% |
| Securities | 420,744 | 369,982 | 50,762 | 13.7 |
| Mortgage loans | 308,913 | 348,158 | (39,245) | (11.3) |
| Investment in affiliate | 280,040 | 270,763 | 9,277 | 3.4 |
| Other assets | 274,738 | 240,439 | 34,299 | 14.3 |
| | \$ 1,811,958 | \$ 1,798,944 | \$ 13,014 | 0.7% |
| Deposits and certificates | \$ 306,809 | \$ 371,628 | \$ (64,819) | (17.4)% |
| Other liabilities | 367,062 | 314,006 | 53,056 | 16.9 |
| Debentures and notes | 171,220 | 262,382 | (91,162) | (34.7) |
| Shareholders' equity | 966,867 | 850,928 | 115,939 | 13.6 |
| | \$ 1,811,958 | \$ 1,798,944 | \$ 13,014 | 0.7% |
| TOTAL ASSETS UNDER MANAGEMENT AND ADMINISTRATION | | | | |
| Corporate assets | \$ 1,811,958 | \$ 1,798,944 | \$ 13,014 | 0.7% |
| Mutual fund assets | | | | |
| under management | 40,649,739 | 36,063,827 | 4,585,912 | 12.7 |
| Securities assets | | | | |
| under administration ⁽¹⁾ | 987,618 | 426,298 | 561,320 | 131.7 |
| | \$ 43,449,315 | \$ 38,289,069 | \$ 5,160,246 | 13.5% |

(1) Excluding proprietary mutual funds

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Investors Group's liquidity requirements involve financing operations, servicing the Corporation's debt and equity and providing capital to subsidiaries. In addition, Management maintains a certain level of liquidity to be able to act on attractive investment opportunities when they arise.

A key liquidity requirement for the Corporation is the funding of commissions paid to Representatives for the sale of mutual funds. As a result of the reduction in front-end loads, a greater proportion of the commission expense must be funded from the Corporation's management fees. In this regard, Investors Group has a competitive advantage over other mutual fund companies, which generally fund commissions with capital raised through the sale of limited partnerships or through equity and debt markets. Investors Group can rely on its strong financial position to address funding issues of this nature internally.

Management feels that the commission expense can be funded through management fee revenue earned on mutual fund assets under management and through additional sales charges levied in connection with the early redemption of mutual funds.

Earnings before interest, taxes, depreciation and amortization of commissions expense (EBITDA) totalled \$633.8 million in 1999, up 9.6% from \$578.1 million in 1998. In addition, Investors Group has significant levels of corporate resources and capital to fund any shortfalls. As a result, the Corporation does not need to

For further discussion of balance sheet items, please see:

Cash and short-term investments – Page 43

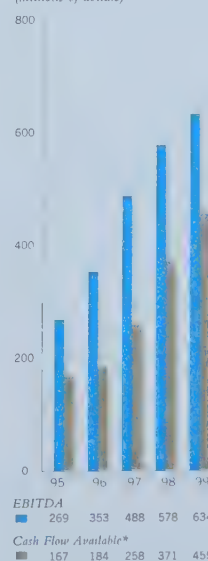
Investment in affiliate – Page 38

Deposits and certificates – Page 38

Debentures and notes – Page 44

Earnings before interest, taxes, depreciation and amortization

For the financial year
(millions of dollars)



* Cash flow available for operations and investment after payment of commissions

- Liquidity is defined as the capability of an organization to meet its obligations as they become due.
- Liquidity management provides the certainty that funds will be available to honour all commitments whether through cash inflows, the disposition of liquid assets or the ability to borrow.
- Liquidity management also involves the continuous forecasting and monitoring of expected cash flows.

Interest rate risk is the potential impact on earnings of the repricing characteristics of assets and liabilities, both on and off balance sheet.

use any of the funding methods recently employed by a number of mutual fund companies.

The Corporation also maintains sufficient liquidity to fund and temporarily hold mortgages sourced with the assistance of Representatives. Through its mortgage banking operations, most of these mortgages are sold to third parties on a fully serviced basis.

Other potential sources of liquidity are Investors Group's sizable portfolio of marketable securities and lines of credit. As of December 31, 1999, the market value of the marketable securities in Investors Group portfolios and its unregulated subsidiaries was \$373.8 million. The Corporation maintains lines of credit totalling \$160 million with various Schedule 1 Canadian chartered banks. Liquidity also can be provided through the Corporation's ability to raise funds in domestic debt and equity markets.

In 1997, Investors Group issued \$125 million in unsecured debentures maturing on December 13, 2027, with an interest rate of 6.65%. The net proceeds from these debentures have been used for general corporate and investment purposes.

The Corporation's 1989 issue of \$100 million in unsecured debentures, with an interest rate of 10.65%, matured on June 15, 1999. Repayment of the debentures was funded from the Corporation's cash and short-term deposits.

Investors Group Trust Co. Ltd.

Liquidity requirements for Investors Group Trust Co. Ltd., which engages in financial intermediary activities, are established by provincial statutes. Under these regulations, the Trust Company is required to maintain liquid assets (such as deposits with chartered banks, treasury bills, government bonds and similar instruments) with a value equal to 20% of the amount of demand deposits and all deposits due in 100 days or less. As at December 31, 1999, liquidity for Investors Group Trust Co. Ltd., measured on this basis, was approximately 43%, well in excess of regulatory requirements.

Interest rate sensitivity

The objective of Investors Group's asset liability management is to control interest rate risk by actively managing the Corporation's interest rate exposure within limits established by the Investment Committee of the Board of Directors. The Corporation manages the repricing characteristics of its consolidated assets and liabilities, and as required by regulation, manages interest rate risk on the assets and liabilities of the deposit operations of Investors Group Trust Co. Ltd. As at December 31, 1999, the Trust subsidiary's total gap between one-year deposit assets and liabilities was \$6.0 million, or 2.4%, well within the Corporation's stated guidelines of 5% of the assets of the Trust Company.

Capital resources

Shareholders' equity amounted to \$966.9 million at December 31, 1999, representing 53.4% of total assets, compared with 47.3% at year-end 1998. Investors Group monitors capital adequacy on an ongoing basis and maintains a conservative debt-equity ratio. At December 31, 1999, this ratio was 18.0%, compared with 31.3% at the end of 1998.

To achieve its strategic objectives, Investors Group requires a strong capital base. The Corporation's capital management objective is to preserve the quality of its

financial position by establishing and maintaining a solid capital base and a strong balance sheet.

Independent reviews confirm the continuing quality of the Corporation's balance sheet and strength of its operations. During 1999, both the Canadian Bond Rating Service (CBRS) and the Dominion Bond Rating Service (DBRS) maintained their ratings of Investors Group's senior debt and liabilities. The senior debt and liabilities were rated A+ Low by CBRS and A High by DBRS.

Management is confident that the Corporation's current capital resources are adequate and can support its activities during 2000.

Investors Group Trust Co. Ltd.

Investors Group Trust Co. Ltd. is permitted to maintain deposit levels that equal 25 times regulatory capital. Deposits in the Trust Company were 14.9 times regulatory capital as at December 31, 1999, and excess borrowing capacity was \$195.1 million.

Investors Syndicate Limited

Investors Syndicate Limited is required to maintain a minimum of \$5 million in unrestricted capital, and to ensure that the value of its certificate liabilities does not exceed 10 times the value of its unrestricted capital. As at December 31, 1999, Investors Syndicate Limited's total unrestricted capital was \$70.3 million and the value of its certificate liabilities was 0.5 times unrestricted capital.

Outlook

The mutual fund and financial services industries enjoyed significant growth in 1999. Analysts continue to forecast strong growth for both industries. This view is supported by the following factors:

- Changes in demographics and an aging population who are turning their attention to savings and investment.
- Changes in investment habits and the increasing ease of investment.
- Growing concern over the adequacy of government-sponsored pension plans.

Investors Group is well positioned to participate in the future growth of the mutual fund and financial services industries. The Corporation enjoys a strong competitive position due to the inherent strengths of its financial planning approach and integrated business model.

THE COMPETITIVE LANDSCAPE

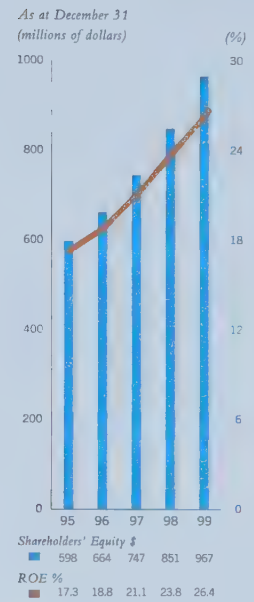
To provide financial planning services to Canadians, Investors Group must compete with other mutual fund companies and, increasingly, with other financial services organizations including banks, brokers and life insurance companies. During 1999, mergers and acquisition activity increased, reflecting continued consolidation within the industry.

Banks

The dominant competitive force in retail financial services is the banking industry. During 1999, banks continued to maintain a significant share of the mutual fund market. A substantial part of bank mutual fund assets remained in money market funds. However, the banks also experienced increased investment in non-money market funds.

Management feels that the banks' presence will accelerate the growth of the mutual fund industry as a whole. The banks will continue to attract conservative investors and depositors to mutual fund investments.

Shareholders' equity



Top 10 mutual fund providers in Canada by invested assets



Brokers, financial planners and life insurance agents

The Corporation recognizes stockbrokers, independent financial planners and life insurance agents as key competitors in the financial advice market. Throughout 1999, brokers expanded their distribution network for financial products, which already include both mutual funds and a broad range of other products. U.S. brokers continued to strengthen their presence in Canada, reflecting the increased competition coming from U.S. brokerage houses.

Mutual fund dealers

Mutual fund dealers have also been successful in expanding their distribution network and increasing their penetration of the financial advice market. During the year, a number of organizations consolidated to form larger firms. These developments reflect several factors including:

- Increased competition in the industry.
- Demands of regulators for improved compliance systems.
- The need for increased scale and efficiencies to remain competitive.

Management expects continued consolidation in the industry as smaller participants are acquired by larger, more efficient organizations.

An emerging trend within the mutual funds sector is increased vertical integration, where one firm both manufactures and distributes products. For mutual fund dealers, this has meant increasing their manufacturing capabilities. This trend reflects the extent to which competitors are attempting to emulate Investors Group's successful business model of integrating investment management with the distribution of financial services.

Distribution channels

Within the various mutual fund distribution channels, competition is strong. Management views this as a healthy environment that allows all investors to receive high-quality investment management services for reasonable fees.

In addition, there is increasing competition among mutual fund manufacturers for distributors and the shelf-space distributors can offer as the number of mutual funds offered continues to increase. The Corporation anticipates further growth in competition in 2000.

MEETING COMPETITIVE CHALLENGES

Investors Group is well positioned to enhance its competitive position in the mutual fund industry and in financial services. At present, the financial services market consists of clients who have developed relationships with a number of different providers of products and services. To be successful in this environment, Investors Group must increase the number of products and services its clients use.

Expanded product shelf

Offering clients a broader range of financial products and increasing the diversification of Investors Group's core products will help Representatives strengthen existing client relationships and attract new clients. Investors Group Representatives can diversify their business and increase their incomes by expanding the number of products placed with clients. This strategy will enhance the extent and quality of Investors Group's client relationships, protecting the Corporation's client base and expanding its market share.

Integrated business model

The highly developed nature of its integrated business model and the scale of its operations give Investors Group a distinct advantage over its competition. Investors Group's manufacturing and distribution capabilities, including an expanding network of well-established financial planning Representatives, are highly integrated. As a result, the Corporation is well positioned to meet increased competition for distribution shelf space. Planned synergies involving London Life's sales force and the acquisition of MAXXUM Group of Funds will further enhance Investors Group's scale of operations, strengthen its position in the marketplace and provide access to other distribution channels.

Competitive strengths

While competitors may attempt to replicate the Investors Group business model, Management is confident that the Corporation will remain a leader. Investors Group's effective network of financial planning Representatives and significant capacity in mutual fund manufacturing will help the Corporation maintain its position as a leader in mutual funds and financial planning, and advance its position as a primary distributor of a broad range of financial products.

Some industry observers feel that increased competition may exert downward pressure on fees charged for fund management and distribution. While Management recognizes the potential for these types of challenges, it believes that the Corporation will be able to respond by achieving operating efficiencies through economies of scale and by continuing to offer top-quality financial advice and a high level of client service.

THE REGULATORY ENVIRONMENT

Developments in the regulatory environment continue to affect the industry. Investors Group supports all regulatory efforts that will protect the interests of clients and preserve the integrity and reputation of the industry and its members. Management looks forward to future developments that will further these objectives. Over the course of 1999, several positive developments occurred.

Mutual Fund Dealers Association of Canada

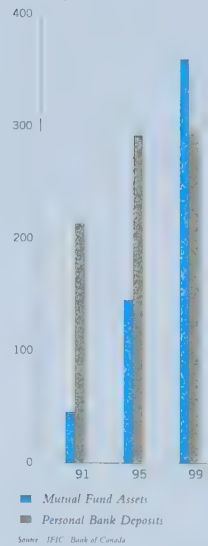
At the end of 1997, a self-regulating organization for the mutual fund industry was established – the Mutual Fund Dealers Association of Canada (MFDA). The MFDA is expected to be fully operational by the end of 2000 and will regulate mutual fund distributors in every province with the exception of Quebec. Its board of directors comprises nominees from the Investment Dealers Association and the Investment Funds Institute of Canada, as well as a number of independent directors.

During 1999, the MFDA developed appropriate rules and bylaws for the organization in the areas of capital and contingency, sales compliance, proficiency and continuing education, distribution structures and administration.

In December 1999, an application for recognition as a self-regulatory organization, including the draft rules and bylaws of the MFDA, was submitted by the MFDA to the securities commissions of Alberta, British Columbia and Ontario. The approval process will involve public consultation and is expected to be completed before the end of the second quarter in 2000. One important initiative of the MFDA is the establishment of a contingency protection fund for investors in the

Growth in mutual fund and deposit assets

As at October 31
(billions of dollars)



event of the insolvency of a Mutual Fund Dealer. The MFDA is working with the Canadian Investor Protection Fund, the association that provides similar protection to brokerage customers, to develop this program. Details of the program and premium schedules will be available for public comment in the early part of 2000.

Operating rules

National Instrument 81-101 and 81-102 will be taking effect on February 1, 2000. The objective of Instrument 81-101 is to enhance disclosure and ensure that prospectuses are written in plain English so that investors will find them easier to read and understand. Prospectuses filed on or after February 1, 2000, must comply with these new rules.

Instrument 81-102 pertains to the rules governing mutual fund operations. The Corporation is on schedule to comply with these new rules.

The proposed regulations for the use of the financial planner title have been issued for comment by the Canadian Securities Administrators and the Financial Services Commission of Ontario. Investors Group is in the process of preparing a response to these proposals. The Corporation has long supported increased regulation of financial planners and looks forward to contributing to the development of enhanced standards. Management is confident that Investors Group Representatives will be prepared to meet the new standards.

Foreign investments

Canadians increased their investment in foreign markets during 1999, a trend that is expected to continue as more investors seek greater diversification. Registered plans, which include Registered Retirement Savings Plans (RRSPs), are currently restricted to holding a maximum of 20% of the book value of the plan in foreign investments. The Corporation believes that with the increasing interdependence of world economies, investors need the opportunity for greater participation in the world economy for the long-term growth of their investments.

Investors Group supports the efforts of the Investment Funds Institute of Canada (IFIC) in urging the government to raise the limit on foreign content held in registered investments. While RSP clone funds offer a way for investors to circumnavigate restrictions on foreign content, they result in additional fees. By raising the limits on foreign content, investors will be able to increase their exposure to foreign markets within their registered investments without additional cost.

MARKET INFLUENCES

Corrections in domestic and international markets and increases in interest rates may affect the future outlook for Investors Group. During the first part of 1999, many equity markets experienced some volatility. However, by mid-year, most markets had recovered, and by year-end, many of the major equity markets had set new highs. Demand for mutual funds reflected these trends, with sales levels recovering later in the year. Increases in interest rates could have a significant impact on equity markets and mutual fund sales. Declines in the value of equity markets could also result in increased redemptions of mutual funds.

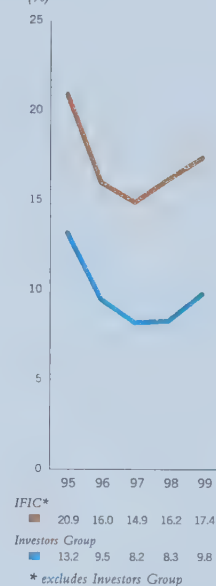
Redemption rates

The mutual fund industry has successfully educated mutual fund investors on the benefits of long-term investing. The redemption rate for the Corporation's mutual funds, excluding money market funds, was 9.8% for the year, among the lowest in the industry. The redemption rate for the industry as a whole, excluding Investors Group and money market funds was 17.4%.

Investors Group Representatives play a key role in maintaining low redemption rates. They educate clients about the value of a long-term investment strategy and the benefits of an appropriate level of portfolio diversification. In periods of declining markets and market volatility, Representatives have been effective in encouraging clients to assume a long-term investment outlook and continue to invest.

Mutual fund redemption rates excluding money market funds

As at December 31
(%)



YEAR 2000 READINESS

During 1999, Investors Group completed extensive preparations to address the year-2000 issue. The Corporation is dependent on information systems and technology for its operation. The risk that computerized programs using a two-digit representation of year would not interpret "00" as 2000 was significant. To prepare for the year 2000, Investors Group:

- Developed and implemented a comprehensive program to identify and remediate all information systems and technology that required adjustment.
- Instituted a process to assess, on an ongoing basis, the year-2000 readiness of business partners, suppliers and other external parties.
- Through the investment management function, assessed the readiness of all companies included within the investment portfolios of the Corporation's mutual funds.
- Developed contingency plans to mitigate the effect of potential problems and to ensure the continuity of operations.

Throughout January 2000, the Corporation's systems, mutual fund operations, business partners and suppliers continued to operate without incident. Investors Group will continue to monitor its systems at key milestones throughout 2000 to ensure that should any abnormalities arise, they are effectively resolved.

Consolidated Balance Sheets

As at December 31 (*in thousands of dollars*)

1999

1998

Assets

Cash and investments

| | | |
|---------------------------------|------------------|------------------|
| Cash and short term investments | \$ 527,523 | \$ 569,602 |
| Securities (Note 2) | 420,744 | 369,982 |
| Mortgage loans (Note 3) | 308,913 | 348,158 |
| | 1,257,180 | 1,287,742 |

Investment in affiliate (Note 4)

280,040 270,763

Deferred expenses

59,915 68,076

Other assets (Note 5)

214,823 172,363

\$ 1,811,958 **\$1,798,944**

Liabilities

Deposits and certificates (Note 6)

\$ 306,809 \$ 371,628

Accounts payable and other liabilities

367,062 314,006

Debentures and notes (Note 7)

171,220 262,382

845,091 **948,016**

Shareholders' equity

Share capital (Note 8)

272,157 273,006

Retained earnings

694,710 577,922

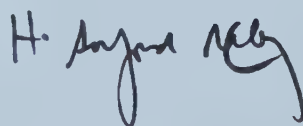
966,867 **850,928**
\$ 1,811,958 **\$1,798,944**

On behalf of the Board

Director



Director



(See accompanying notes to consolidated financial statements.)

Consolidated Statements of Income

For the years ended December 31 (in thousands of dollars except earnings per share)

| | 1999 | 1998 |
|---|-------------|-------------|
| Fee income | | |
| Management | \$ 714,097 | \$ 657,619 |
| Administration | 130,109 | 128,810 |
| Distribution | 83,732 | 69,322 |
| Total fee income | 927,938 | 855,751 |
| Investment income | | |
| Investment income | 120,531 | 119,206 |
| Interest expense | 33,749 | 45,476 |
| Net investment income | 86,782 | 73,730 |
| Operating income | 1,014,720 | 929,481 |
| Operating expenses | 600,582 | 605,310 |
| Income before income taxes | 414,138 | 324,171 |
| Income taxes (Note 9) | 178,525 | 135,827 |
| Net income | \$ 235,613 | \$ 188,344 |
| Average number of shares outstanding (Note 8) | 210,854,367 | 211,396,409 |
| Earnings per share (Note 8) | \$ 1.12 | \$.89 |

(See accompanying notes to consolidated financial statements.)

Consolidated Statements of Retained Earnings

For the years ended December 31 (in thousands of dollars)

| | 1999 | 1998 |
|--|------------|------------|
| Balance, beginning of year | \$ 577,922 | \$ 475,225 |
| Net income | 235,613 | 188,344 |
| Dividends | (103,256) | (80,320) |
| Premium paid on common shares purchased for cancellation (Note 8) | (15,569) | (5,327) |
| Balance, end of year | \$ 694,710 | \$ 577,922 |

(See accompanying notes to consolidated financial statements.)

Consolidated Statements of Cash Flows

| For the years ended December 31 <i>(in thousands of dollars)</i> | 1999 | 1998 |
|--|-------------------|-------------------|
| Operating activities | | |
| Net income | \$ 235,613 | \$ 188,344 |
| Adjustments to determine net cash from operating activities | | |
| Deferred income taxes | (541) | (16,328) |
| Commissions expense | 186,786 | 216,361 |
| Depreciation | 10,393 | 10,021 |
| Other | 7,697 | (3,069) |
| | 439,948 | 395,329 |
| Commissions paid | (178,625) | (206,945) |
| | 261,323 | 188,384 |
| Financing activities | | |
| Increase in demand deposits | 10,786 | 5,760 |
| Decrease in term deposits | (58,399) | (88,608) |
| Decrease in certificates | (17,206) | (33,546) |
| Repayment of debenture and notes | (102,162) | (1,785) |
| Common dividends paid | (98,082) | (76,101) |
| Issue of common shares | 263 | 1,279 |
| Shares purchased for cancellation | (16,681) | (5,621) |
| | (281,481) | (198,622) |
| Investing activities | | |
| Net (purchases) sales of securities | (33,359) | 35,379 |
| Decrease in mortgage loans | 36,892 | 230,907 |
| Net (additions) proceeds from the sale of real estate | (3,334) | 7,843 |
| Additions to capital assets | (22,120) | (14,947) |
| | (21,921) | 259,182 |
| (Decrease) increase in cash and cash equivalents | (42,079) | 248,944 |
| Cash and cash equivalents, beginning of year | 569,602 | 320,658 |
| Cash and cash equivalents, end of year | \$ 527,523 | \$ 569,602 |
| Cash | \$ 81,089 | \$ 36,598 |
| Short term investments | 446,434 | 533,004 |
| | \$ 527,523 | \$ 569,602 |

(See accompanying notes to consolidated financial statements.)

Notes to Consolidated Financial Statements

December 31, 1999 (in thousands of dollars, except share amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and all subsidiaries on a consolidated basis. Investments in joint ventures that are jointly controlled are consolidated on a proportionate basis. The equity method is used to account for the Corporation's investment in Great-West Lifeco Inc., an affiliated company. Both corporations are controlled by Power Financial Corporation.

Goodwill, representing the excess of the purchase price over the fair value of net assets acquired, is amortized over 30 years using the straight-line method. Goodwill is evaluated periodically by reviewing the returns of the related business and a write-down is taken to reflect any permanent impairment.

Securities

Bonds and debentures are carried at amortized cost plus accrued interest. Discounts or premiums on the purchase of bonds and debentures are amortized over the remaining life of the security. Common and preferred shares and all other securities are carried at original cost plus declared dividends. Securities are written down to their fair value when a long-term permanent decline in value is identified.

Mortgage loans

Mortgage loans are carried at amortized cost plus accrued interest less an allowance for credit losses. Interest income is accounted for on the accrual basis for all loans other than impaired loans.

A loan is classified as impaired when, in the opinion of management, there no longer is reasonable assurance of the timely collection of the full amount of principal and interest. A loan is also classified as impaired when interest or principal is contractually past due 90 days, except in circumstances where management has determined that the collectibility of principal and interest is not in doubt. Once a loan is classified as impaired, any

uncollected interest is reversed and charged against interest income in the current period. Thereafter, interest income is recognized on a cash basis.

The Corporation maintains an allowance for credit losses which is considered adequate by management to absorb all credit related losses in its portfolio. Specific allowances are established as a result of reviews of individual loans. There is a second category of allowance, designated general allowance, which is allocated against sectors rather than specifically against individual loans. This allowance is established where a prudent assessment by the Corporation suggests that losses may occur but where such losses cannot yet be identified on an individual loan basis.

Real estate

On foreclosure, mortgage loans are adjusted, if necessary, to the estimated fair value of the underlying collateral and transferred to real estate, which is reported in other assets net of selling costs and net declines in value as appropriate.

Office premises

Office premises are recorded at cost of \$137,714 (1998 - \$116,089), less accumulated depreciation of \$59,234 (1998 - \$50,367). The depreciable properties and related equipment and furnishings are depreciated on a straight-line basis over their estimated lives.

Deferred expenses

Commissions paid on the sale of certain mutual fund products are deferred and amortized against related fee income over a maximum period of three years. Commissions paid on the sale of deposits are deferred and amortized over the term of the deposit with a maximum amortization period of five years.

Pension plans and other post-retirement benefits

The Corporation participates in a funded defined benefit pension plan for certain employees. Pension costs related to current services are charged to income in the period during which the services are rendered; past service costs and actuarial gains or losses which have not been charged to income are amortized over the expected

1. Summary of Significant Accounting Policies (cont'd)

average remaining service life of the employee group covered by the plan. The Corporation also has an unfunded supplementary plan for certain executive officers. Supplementary pension costs related to current services are charged to income in the period during which the services are rendered. The cumulative difference between pension costs and funding payments is recorded on the balance sheet.

Post-retirement health care and life insurance benefits provided to eligible retirees are expensed as incurred.

Income taxes

The Corporation follows the tax allocation basis in accounting for income taxes, whereby income taxes are based on transactions recorded in the financial statements regardless of when they are recognized for tax purposes. Deferred income taxes which are reported in other assets are recorded when there are timing differences in the recognition of transactions for financial statement and income tax purposes.

Off-balance sheet financial instruments

The Corporation enters into various derivative contracts in order to manage its interest rate, currency and market risks. The accounting policies used for derivative financial instruments which are used for hedging purposes correspond to those used for the underlying hedged positions.

Assets under management and assets under administration

The Corporation manages and administers assets owned by clients that are not reflected on the balance sheet. Mutual fund assets managed by the Corporation on behalf of its clients are considered assets under management. Mortgages serviced for third parties and assets administered in the Corporation's securities operations are considered assets under administration.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

2. SECURITIES

| | 1999 | | 1998 | |
|------------------|------------|------------|------------|------------|
| | Cost | Market | Cost | Market |
| Government bonds | \$ 52,168 | \$ 50,858 | \$ 31,829 | \$ 31,647 |
| Corporate bonds | 21,879 | 21,480 | 780 | 780 |
| Preferred shares | 98,073 | 104,553 | 141,232 | 152,703 |
| Common shares | 248,624 | 311,302 | 196,141 | 314,736 |
| | \$ 420,744 | \$ 488,193 | \$ 369,982 | \$ 499,866 |

| | Term to Maturity | | | 1999 Total | 1998 Total |
|--------------------------|-----------------------|--------------|-----------------|---------------|---------------|
| | 1 Year or Less | 1-5 Years | Over 5 Years | | |
| Government bonds | \$ 15,183 | \$ 36,985 | \$ — | \$ 52,168 | \$ 31,829 |
| Yield ⁽¹⁾ | 5.14% | 5.26% | — | 5.23% | |
| Corporate bonds | 5,041 | 16,838 | — | 21,879 | 780 |
| Yield ⁽¹⁾ | 5.20% | 6.42% | — | 6.14% | |
| Preferred shares | 44,666 ⁽²⁾ | 53,407 | — | 98,073 | 141,232 |
| Yield ^{(1) (3)} | 5.60% | 6.43% | — | 6.05% | |
| Common shares | — | — | 248,624 | 248,624 | 196,141 |
| Yield ^{(1) (3)} | — | — | 5.21% | 5.21% | |
| | \$ 64,890 | \$ 107,230 | \$ 248,624 | \$ 420,744 | \$ 369,982 |

(1) Represents weighted average yield based on carrying values.

(2) Includes floating rate preferred shares with no stated maturity date.

(3) Yields on tax-exempt securities have not been calculated on a taxable equivalent basis.

3. MORTGAGE LOANS AND ALLOWANCE FOR CREDIT LOSSES

| | Term to Maturity | | | 1999 Total | 1998 Total |
|-------------------------------|-------------------|--------------|-----------------|-------------------|-------------------|
| | 1 Year or Less | 1-5 Years | Over 5 Years | | |
| Residential mortgages | \$ 195,740 | \$ 110,953 | \$ 10,721 | \$ 317,414 | \$ 355,193 |
| Less: General allowance | | | | 8,501 | 7,035 |
| | | | | <u>308,913</u> | <u>348,158</u> |
| Impaired loans included above | | | | \$ 672 | \$ 1,983 |
| Less: General allowance | | | | 8,501 | 7,035 |
| | | | | <u>\$ (7,829)</u> | <u>\$ (5,052)</u> |

The change in the allowance for credit losses is as follows:

| | | |
|-----------------------------|-----------------|-----------------|
| Balance, beginning of year | \$ 7,035 | \$ 13,611 |
| Write-offs | (202) | (10,362) |
| Recoveries | 1,465 | 1,668 |
| Provision for credit losses | 203 | 2,118 |
| Balance, end of year | <u>\$ 8,501</u> | <u>\$ 7,035</u> |

4. INVESTMENT IN AFFILIATE

The Corporation holds a 4.3% equity interest in Great-West Lifeco Inc. Goodwill of \$138,831 (1998 - \$143,812) is included in the carrying value of the investment.

| | 1999 | 1998 |
|-----------------------------------|-------------------|-------------------|
| Carrying value, beginning of year | \$ 270,763 | \$ 264,836 |
| Share of earnings | 22,860 | 18,050 |
| Goodwill amortization | (4,981) | (4,981) |
| Dividends | (8,602) | (7,142) |
| Carrying value, end of year | <u>\$ 280,040</u> | <u>\$ 270,763</u> |

5. OTHER ASSETS

| | 1999 | 1998 |
|--------------------------------|-------------------|-------------------|
| Office premises | \$ 78,480 | \$ 65,722 |
| Accounts and other receivables | 57,971 | 45,364 |
| Prepaid pension expense | 28,213 | 25,951 |
| Deferred income taxes | 16,536 | 15,995 |
| Real estate | 14,148 | 8,921 |
| Goodwill, net of amortization | 14,017 | 5,000 |
| Other | 5,458 | 5,410 |
| | <u>\$ 214,823</u> | <u>\$ 172,363</u> |

6. DEPOSITS AND CERTIFICATES

Included in the assets of the consolidated balance sheets are cash and investments amounting to \$271,534 (1998 - \$319,147) held to secure the deposits of Investors Group Trust Co. Ltd. and The Trust Company of London Life. Also included in the assets of the con-

solidated balance sheets are assets lodged with an approved depository related to certificates issued by Investors Syndicate Limited amounting to \$73,019 (1998 - \$97,468). The value of these assets exceeded certificates by \$37,744 (1998 - \$45,009).

6. Deposits and Certificates (cont'd)

| | | Term to Maturity | | | 1999 Total | 1998 Total |
|--------------|-----------|------------------|-------------------|--------------|-----------------|---------------|
| | | Demand | 1 Year or Less | 1-5 Years | Over 5 Years | |
| Deposits | \$ 33,089 | \$ 139,263 | \$ 90,041 | \$ 9,141 | \$ 271,534 | \$ 319,147 |
| Certificates | — | 8,254 | 17,327 | 9,694 | 35,275 | 52,481 |
| | \$ 33,089 | \$ 147,517 | \$ 107,368 | \$ 18,835 | \$ 306,809 | \$ 371,628 |

7. DEBENTURES AND NOTES

| | | 1999 | 1998 |
|--------|--|------------|------------|
| 6.65% | Debentures 1997 Series, due December 13, 2027 | \$ 125,000 | \$ 125,000 |
| 10.60% | Note Payable to Power Financial Corporation, due January 16, 2006 | 35,720 | 37,505 |
| — | Note Payable to London Fund Management, due December 31, 2003, non-interest bearing | 10,500 | — |
| 10.65% | Debentures 1989 Series, due June 15, 1999 | — | 99,877 |
| | | \$ 171,220 | \$ 262,382 |

Interest expense relating to this debt was \$16,980 (1998 - \$22,951).

The annual principal payments in each of the next five years are: 2000 - \$2,785; 2001 - \$3,285; 2002 - \$3,785; 2003 - \$7,785 and 2004 - \$1,785.

8. SHARE CAPITAL

Authorized

Unlimited number of:

First preferred shares, issuable in series

Second preferred shares, issuable in series

Class 1 non-voting shares

Common shares

Common shares issued and outstanding

| | 1999 | | 1998 | |
|--------------------------------|-------------|-----------------|-------------|-----------------|
| | Shares | Stated Value | Shares | Stated Value |
| Balance, beginning of year | 211,283,380 | \$ 273,006 | 211,364,080 | \$ 272,021 |
| Issued under Stock Option Plan | 30,400 | 263 | 146,600 | 1,279 |
| Purchased for cancellation | (860,600) | (1,112) | (227,300) | (294) |
| Balance, end of year | 210,453,180 | \$ 272,157 | 211,283,380 | \$ 273,006 |

Share purchase plans

Under the Corporation's share purchase plans, eligible employees and financial planning representatives can choose each year to have a percentage of their annual earnings withheld, subject to a maximum, to purchase the Corporation's common shares. The Corporation matches 50% of the contribution amounts. All contributions are used by the plan trustee to purchase common shares in the open market. The Corporation's contributions vest after two years of continuous participation in the plan. The Corporation's contribution is expensed as paid and totalled \$3,256 (1998 - \$3,232).

Option plan

Under the terms of the Corporation's Stock Option Plan, options to purchase common shares are periodically granted to designated officers and employees at prices not less than the market price of such shares immediately prior to the grant date. The options are exercisable no later than 10 years after date of grant. A maximum number of 5,742,000 common shares are reserved for issuance under the plan. Compensation expense is not recognized for the stock option plan when stock or stock options are issued. Any consideration paid on exercise of stock options to purchase stock is credited to share capital.

8. Share Capital (cont'd)

| Outstanding Year Granted | Issued Expiry Date | Exercised Exercise Price \$ | Cancelled December 31 1998 | Outstanding During Year | During Year | During Year | December 31 1999 |
|--------------------------------|--------------------------|-----------------------------------|----------------------------------|-------------------------------|----------------|----------------|---------------------|
| 1995 | 2005 | 8.66 | 1,500,800 | – | 30,400 | 4,000 | 1,466,400 |
| 1996 | 2006 | 8.89 | 48,000 | – | – | – | 48,000 |
| 1997 | 2007 | 12.98-13.55 | 168,800 | – | – | – | 168,800 |
| 1998 | 2008 | 18.85-20.99 | 406,200 | – | – | 20,800 | 385,400 |
| 1999 | 2009 | 18.99-24.27 | – | 922,500 | – | 57,500 | 865,000 |
| | | | 2,123,800 | 922,500 | 30,400 | 82,300 | 2,933,600 |

Normal course issuer bid

In February, 1999, the Corporation filed a normal course issuer bid authorizing it to acquire for cancellation up to 1.0 million common shares or .48% of the outstanding common shares. The share purchase program, conducted

on the open market through the recognized exchanges, will expire on February 14, 2000. In 1999, 860,600 common shares were repurchased at a cost of \$16,681 and the premium paid to acquire the shares was charged to retained earnings.

9. INCOME TAXES

The effective income tax rate differs from the statutory rate, as described below:

| | 1999 | | 1998 | |
|--|------------|--------|------------|--------|
| Income before income taxes | \$ 414,138 | | \$ 324,171 | |
| Income taxes at federal and provincial statutory rates | \$ 187,755 | 45.34% | \$ 147,693 | 45.56% |
| Effect of: | | | | |
| Dividend income | (9,079) | (2.19) | (9,679) | (2.99) |
| Net capital gains and losses | (1,726) | (0.42) | (964) | (0.30) |
| Tax on large corporations | 396 | 0.10 | 307 | 0.10 |
| Lower effective rate of tax on income not subject to tax in Canada and other items | 1,179 | 0.28 | (1,530) | (0.47) |
| Income taxes provided | \$ 178,525 | 43.11% | \$ 135,827 | 41.90% |
| Components of income taxes provided are: | | | | |
| Current income tax | \$ 179,066 | | \$ 152,155 | |
| Deferred income tax | (541) | | (16,328) | |
| | \$ 178,525 | | \$ 135,827 | |

10. PENSION PLANS

The Corporation maintains a defined benefit, final average pension plan which covers substantially all of its employees. As at December 31, 1999, the present value of accrued pension benefits was \$95,788 (1998 - \$89,142) and the adjusted market value of pension

fund assets available to fund these benefits was \$128,652 (1998 - \$113,924). The actuarially determined obligation of the unfunded supplementary employee retirement plan as at December 31, 1999 was \$9,672 (1998 - \$7,437) and the cost accrued to that date was \$9,672 (1998 - \$7,437).

11. OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

The Corporation enters into derivative contracts which are negotiated in the over-the-counter market with Schedule I and Schedule II Chartered bank counterparties on a diversified basis. In all cases, the derivative contracts are used for non-trading purposes and they are designated as hedges. Interest rate swaps are contractual agreements between two parties to exchange the related interest payments based on a specified notional amount and reference rate for a specified period. Interest rate swaps are used for the purpose of asset and liability management to manage interest rate risk in the deposit and mortgage banking operations. Equity index swaps are contractual agreements to exchange payments based on a specified notional amount and the stock market index reference for a specific period. Options are contractual agreements which convey the right, but not the obligation, to buy or sell specific securities at a fixed price

at a future date. Options and equity index swaps are used to manage equity market risk through hedging activities that are designed to offset changes in the equity markets that affect income earned on assets under management.

The amount subject to credit risk is limited to the current market value of the instruments which are in a gain position. This represents only a small percentage of the notional amount. The credit risk is presented without giving effect to any netting agreements or collateral arrangements and does not reflect actual or expected losses. The total estimated fair value represents the total amount that the Corporation would receive or pay to terminate all agreements at each year end. However, this does not result in a gain or loss to the Corporation as the derivative instruments which correlate to certain assets and liabilities provide offsetting gains or losses.

The following table summarizes the Corporation's off-balance sheet financial instruments at December 31:

| | Notional Amount | | | Credit Risk | Total Estimated Fair Value |
|-------------------|-------------------|-------------------|-------------------|------------------|----------------------------|
| | 1 Year or Less | 1-5 Years | Total | | |
| 1999 | | | | | |
| Swaps | \$ 112,963 | \$ 82,600 | \$ 195,563 | \$ 4,704 | \$ (7,714) |
| Options purchased | 34,165 | 100,439 | 134,604 | 17,307 | 17,307 |
| Options written | 35,632 | 111,830 | 147,462 | – | (2,663) |
| | \$ 182,760 | \$ 294,869 | \$ 477,629 | \$ 22,011 | \$ 6,930 |
| 1998 | | | | | |
| Swaps | \$ 83,030 | \$ 129,178 | \$ 212,208 | \$ 3,443 | \$ (3,424) |
| Options purchased | 33,195 | 136,670 | 169,865 | 5,516 | 5,516 |
| Options written | 34,076 | 149,172 | 183,248 | – | (12,764) |
| | \$ 150,301 | \$ 415,020 | \$ 565,321 | \$ 8,959 | \$ (10,672) |

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table represents the fair value of on and off-balance sheet financial instruments using the valuation methods and assumptions described below. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties under no compulsion to act and best

evidenced by a quoted market price, if one exists. Fair values are management's estimates and are generally calculated using market conditions at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, involve uncertainties and matters of significant judgment.

12. Fair Value of Financial Instruments (cont'd)

| | 1999 | | | 1998 | | |
|--|--------------|--------------|------------------------------------|--------------|-------------|------------------------------------|
| | Book Value | Fair Value | Fair Value Over (Under) Book Value | Book Value | Fair Value | Fair Value Over (Under) Book Value |
| ASSETS | | | | | | |
| Cash and short term investments | \$ 527,523 | \$ 527,523 | \$ - | \$ 569,602 | \$ 569,602 | \$ - |
| Securities | 420,744 | 488,193 | 67,449 | 369,982 | 499,866 | 129,884 |
| Mortgage loans | 308,913 | 307,365 | (1,548) | 348,158 | 353,681 | 5,523 |
| Accounts and other receivables | 57,971 | 57,971 | - | 45,364 | 45,364 | - |
| Total financial assets | 1,315,151 | \$ 1,381,052 | \$ 65,901 | 1,333,106 | \$1,468,513 | \$ 135,407 |
| Non-financial assets | 496,807 | | | 465,838 | | |
| Total assets | \$ 1,811,958 | | | \$ 1,798,944 | | |
| LIABILITIES | | | | | | |
| Deposits and certificates | \$ 306,809 | \$ 306,951 | \$ 142 | \$ 371,628 | \$ 383,314 | \$ 11,686 |
| Accounts payable and other liabilities | 255,567 | 255,567 | - | 207,253 | 207,253 | - |
| Debentures and notes | 171,220 | 160,433 | (10,787) | 262,382 | 268,475 | 6,093 |
| Total financial liabilities | 733,596 | \$ 722,951 | \$ (10,645) | 841,263 | \$ 859,042 | \$ 17,779 |
| Non-financial liabilities | 111,495 | | | 106,753 | | |
| Total liabilities | \$ 845,091 | | | \$ 948,016 | | |
| DERIVATIVES (Note 11) | \$ - | \$ 6,930 | \$ 6,930 | \$ - | \$ (10,672) | \$ (10,672) |

Fair value is determined using the following methods and assumptions:

Short term financial instruments are assumed to be equal to book value. These include cash and short term investments, accounts and other receivables, and accounts payable and other liabilities.

Securities are valued at quoted market prices, when available. When a quoted market price is not readily available, alternative valuation methods may be used.

Mortgage loans are determined by discounting the expected future cash flows at market interest rates for loans with similar credit risk.

Deposits and certificates are determined by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.

Debentures and notes are determined by reference to current market prices for debentures and notes payable with similar terms and risks.

Derivative financial instruments are based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or net present value analysis.

13. CONTINGENCIES AND COMMITMENTS

The Corporation is committed to the following annual lease payments under its operating leases: 2000 - \$20,348; 2001 - \$17,552; 2002 - \$15,283; 2003 - \$13,325 and 2004 - \$12,240.

14. YEAR 2000

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

During 1999, the Corporation undertook a number of enterprise-wide initiatives designed to address the Year 2000 issue. Although the Corporation has not identified any significant issues with respect to Year 2000 compliance as at February 3, 2000, it continues to monitor its systems, as well as its key business partners and suppliers. While the Corporation is not currently aware of any Year 2000 issues that would have a material adverse effect on its operations, and although the change in date has occurred, it is not possible to be certain that all aspects of the Year 2000 issue affecting the Corporation, including those related to business partners, suppliers or other third parties, have been fully resolved.

15. RELATED PARTY TRANSACTIONS

The Corporation enters into transactions with its affiliate, Great-West Lifeco Inc., and London Life Insurance Co., a subsidiary of its affiliate, in the normal course of operations and at market terms and conditions.

15. Related Party Transactions (cont'd)

| | 1999 | 1998 |
|---|----------|----------|
| The Corporation distributes life insurance and disability insurance products of Great-West Life | \$16,910 | \$13,454 |
| London Life Insurance Co. distributes certain mutual funds of the Corporation | \$6,105 | Nil |
| The Corporation provides certain administrative services to these affiliates | \$5,033 | \$1,500 |

During 1999, the Corporation entered into an agreement with London Life Insurance Co. to purchase all of the outstanding common shares of The Trust Company of London Life. The transaction reflects market terms and conditions and has been accounted for using the purchase method.

16. SEGMENTED INFORMATION

The Corporation is a personal financial services organization and operates only in the financial services industry. The Corporation provides financial planning advice to individual clients through its financial planning representatives located across Canada. The Corporation offers products and services that include mutual funds, mortgages, insurance, securities services and other investment products such as guaranteed investment certificates and annuities. Significant operations are classified into operations for which the Corporation receives fee based revenue and operations

from which the Corporation earns revenues from its activities as an intermediary.

Fee based revenues are earned by the Corporation in the conduct of its core business activities, which are primarily related to the distribution, management and administration of its mutual funds. Fee revenue is also derived from the distribution of insurance products and the provision of brokerage services. Segment revenues and profits are primarily dependant on the total value and composition of assets under management which include domestic equity, international equity, debt and balanced mutual funds.

Intermediary revenues are derived primarily from the assets funded by deposit and certificate products, mortgage banking and servicing activities and corporate investments. Segment revenues include investment income from cash and short term investments, securities and mortgage loans. Revenues also include gains and losses on the sale of securities and the Corporation's share of earnings of its affiliate.

The following table presents certain information regarding the Corporation's segments. Income taxes are not allocated to segments. Assets reported in fee based operations, which represent mutual fund assets under management and securities assets under administration, are not reflected on the Corporation's balance sheet. Intermediary assets include all of the assets reflected on the Corporation's balance sheet and mortgage assets under administration not reflected on the balance sheet.

| | 1999 | 1998 |
|-----------------------------------|---------------------|-------------------|
| REVENUES | | |
| Fee based operations | \$ 927,938 | \$ 855,751 |
| Intermediary | 120,531 | 119,206 |
| | \$ 1,048,469 | \$ 974,957 |
| INCOME BEFORE INCOME TAXES | | |
| Fee based operations | \$ 351,062 | \$ 283,686 |
| Intermediary ⁽¹⁾ | 63,076 | 40,485 |
| | \$ 414,138 | \$ 324,171 |
| ASSETS | | |
| Fee based operations | \$ 41,637,339 | \$ 36,490,127 |
| Intermediary | \$ 7,105,568 | \$ 7,586,052 |

⁽¹⁾ Includes interest income of \$52,595 (1998 - \$64,236) and interest expense of \$33,749 (1998 - \$45,476).

Management's Responsibility for Financial Reporting

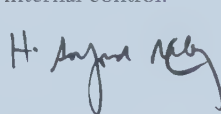
The financial statements of Investors Group Inc. and related financial information have been prepared by Management, which is responsible for the integrity, objectivity and reliability of the data presented. This responsibility includes selecting appropriate accounting principles and making judgments and estimates consistent with generally accepted accounting principles. Financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

Systems of internal control and supporting procedures are maintained to provide reasonable assurance of the reliability of financial information and the safeguarding of all assets controlled by the Corporation. These controls and supporting procedures include quality standards in hiring and training employees, the establishment of organizational structures providing a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines through the organization. Internal controls are reviewed and evaluated by extensive internal audit programs, which are subject to scrutiny by the shareholders' auditors.

Ultimate responsibility for the financial statements rests with the Board of Directors. The Board is assisted in its responsibilities by an Audit Committee, consisting of directors who are not officers or employees of the Corporation. This committee reviews the consolidated financial statements and recommends them for approval by the

Board. In addition, the committee reviews the recommendations of the internal auditor and the shareholders' auditors for improvements in internal control and the action of Management to implement such recommendations. In carrying out its duties and responsibilities, the committee meets regularly with Management and with both the internal auditor and the shareholders' auditors to review the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged.

Deloitte & Touche, independent auditors appointed by the shareholders, have examined the financial statements in accordance with generally accepted auditing standards, performing such tests and other procedures as they consider necessary in order to express the opinion in their Report to the Shareholders. The shareholders' auditors have full and free access to the Audit Committee to discuss their audit and related findings as to the integrity of the Corporation's financial reporting and the adequacy of the systems of internal control.



H. Sanford Riley
President &
Chief Executive Officer



Gregory D. Tretiak
Executive Vice-President,
Finance

Auditors' Report

*To the Shareholders,
Investors Group Inc.*

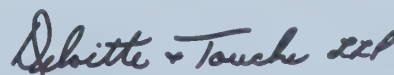
We have audited the consolidated balance sheets of Investors Group Inc. as at December 31, 1999 and 1998 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the

accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

Chartered Accountants



Winnipeg, Manitoba
February 3, 2000

Ten Year Review

CONDENSED STATEMENTS OF INCOME

For the years ended December 31 (in thousands of dollars except amounts per share)

| | 5 Year% | | | | | | 10 Year% | | | | | |
|--------------------------|-----------|---------|---------|---------|---------|---------------------|----------|---------|---------|---------|---------|---------------------|
| | 1999 | 1998 | 1997 | 1996 | 1995 | CAGR ⁽¹⁾ | 1994 | 1993 | 1992 | 1991 | 1990 | CAGR ⁽¹⁾ |
| Fee income | 927,938 | 855,751 | 725,887 | 544,375 | 434,447 | 17.9 | 407,710 | 336,891 | 256,154 | 204,042 | 157,092 | 20.3 |
| Net investment income | 86,782 | 73,730 | 71,031 | 69,101 | 54,014 | 17.0 | 39,571 | 47,820 | 60,871 | 52,605 | 50,889 | 4.9 |
| Operating expenses | 1,014,720 | 929,481 | 796,918 | 613,476 | 488,461 | 17.8 | 447,281 | 384,711 | 317,025 | 256,647 | 207,981 | 17.6 |
| | 600,582 | 605,310 | 547,522 | 434,643 | 339,705 | 12.9 | 327,100 | 290,147 | 239,725 | 193,498 | 154,325 | 15.9 |
| Income taxes | 414,138 | 324,171 | 249,396 | 178,833 | 148,756 | 28.1 | 120,181 | 94,564 | 77,300 | 63,149 | 53,656 | 20.8 |
| | 178,525 | 135,827 | 101,884 | 61,331 | 51,049 | 38.1 | 35,578 | 24,261 | 18,967 | 12,434 | 6,036 | 30.9 |
| Net income | 235,613 | 188,344 | 147,512 | 117,502 | 97,707 | 22.7 | 84,603 | 70,303 | 58,333 | 50,715 | 47,620 | 16.7 |
| Earnings per share (\$) | 1.12 | 0.89 | 0.70 | 0.56 | 0.46 | 22.7 | 0.40 | 0.33 | 0.29 | 0.27 | 0.25 | 15.9 |
| Dividends per share (¢) | 49 | 38 | 30 | 25 | 19 | 25.1 | 16 | 13 | 11 | 10 | 10 | 18.5 |
| ROE ⁽²⁾ (%) | 26.4 | 23.8 | 21.1 | 18.8 | 17.3 | — | 16.6 | 15.2 | 15.4 | 18.5 | 20.1 | — |
| Average shares | | | | | | | | | | | | |
| outstanding (000's) | 210,854 | 211,396 | 211,383 | 211,370 | 211,370 | — | 211,370 | 211,370 | 204,156 | 191,550 | 192,040 | — |
| Share price (closing \$) | 20.60 | 26.40 | 22.60 | 13.50 | 8.32 | 18.8 | 8.69 | 11.38 | 6.47 | 5.33 | 3.19 | 21.2 |

STATISTICAL DATA

(in millions of dollars)

Mutual Funds

| | | | | | | | | | | | | |
|------------------------------|--------|--------|--------|--------|--------|-------|--------|--------|--------|-------|-------|------|
| Sales | 5,915 | 6,296 | 6,513 | 5,031 | 3,472 | 6.9 | 4,240 | 3,940 | 3,134 | 2,270 | 1,547 | 16.2 |
| Redemption rates (%) | | | | | | | | | | | | |
| including MMF ⁽³⁾ | 11.9 | 10.0 | 9.9 | 11.6 | 15.4 | — | 13.7 | 12.2 | 11.3 | 12.4 | 16.5 | — |
| excluding MMF ⁽³⁾ | 9.8 | 8.3 | 8.2 | 9.5 | 13.2 | — | 11.6 | 9.9 | 8.3 | 8.9 | 13.1 | — |
| Net sales | 1,370 | 2,887 | 3,522 | 2,361 | 543 | (6.3) | 1,900 | 2,168 | 1,663 | 1,068 | 277 | 27.9 |
| Assets under management | 40,650 | 36,064 | 32,248 | 25,912 | 20,262 | 18.3 | 17,571 | 15,800 | 11,359 | 9,290 | 7,065 | 19.5 |

Insurance

| | | | | | | | | | | | | |
|-----------------------------|--------|--------|--------|--------|-------|------|-------|-------|-------|-------|-------|------|
| Sales (annualized premiums) | 25 | 19 | 14 | 10 | 8 | 41.5 | 4 | 6 | 5 | 6 | 6 | 14.8 |
| In force (face amount) | 18,086 | 14,548 | 12,279 | 10,327 | 9,256 | 17.3 | 8,158 | 7,600 | 7,012 | 6,551 | 5,996 | 13.3 |

Securities Operations

| | | | | | | | | | | | | |
|-----------------------------|-------|-----|-----|-----|---|---|---|---|---|---|---|---|
| External assets gathered | 946 | 385 | 254 | 122 | — | — | — | — | — | — | — | — |
| Assets under administration | 1,471 | 590 | 316 | 129 | — | — | — | — | — | — | — | — |

Mortgages

| | | | | | | | | | | | | |
|--------------------|-------|-------|-------|-------|-------|------|-------|-------|-------|-------|-------|------|
| Originations | 1,011 | 959 | 1,002 | 912 | 812 | 1.6 | 935 | 638 | 766 | 546 | 475 | 4.1 |
| Mortgages serviced | 7,569 | 8,144 | 4,157 | 4,145 | 3,935 | 16.4 | 3,541 | 3,120 | 3,015 | 2,754 | 2,710 | 11.5 |

Deposits and Certificates

| | | | | | | | | | | | | |
|-------------------------|-----|-----|-----|-----|-------|--------|-------|-------|-------|-------|-------|--------|
| Sales | 87 | 78 | 94 | 117 | 301 | (19.6) | 259 | 216 | 214 | 305 | 452 | (15.2) |
| Deposits & certificates | 307 | 372 | 488 | 986 | 1,032 | (22.3) | 1,085 | 1,240 | 1,426 | 1,612 | 1,735 | (15.6) |

Corporate Assets

| | | | | | | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 1,812 | 1,799 | 1,765 | 1,959 | 1,904 | (0.6) | 1,866 | 1,951 | 2,102 | 2,139 | 2,228 | (1.8) |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|

Mutual Fund Unitholder

| | | | | | | | | | | | | |
|-------------------------|-------|-------|-------|-------|-------|------|-------|-------|-----|-----|-----|------|
| Accounts (in thousands) | 4,203 | 3,627 | 2,890 | 2,196 | 1,726 | 23.1 | 1,485 | 1,184 | 974 | 839 | 754 | 19.6 |
|-------------------------|-------|-------|-------|-------|-------|------|-------|-------|-----|-----|-----|------|

| | | | | | | | | | | | | |
|------------------------|-------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|
| Clients (in thousands) | 1,047 | 1,013 | 940 | 846 | 764 | 8.2 | 706 | 538 | 475 | 426 | 394 | 11.1 |
|------------------------|-------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|

| | | | | | | | | | | | | |
|-----------------|-------|-------|-------|-------|-------|-----|-------|-------|-------|-------|-------|-----|
| Representatives | 3,626 | 3,774 | 3,507 | 3,187 | 3,032 | 1.3 | 3,395 | 3,019 | 2,491 | 1,941 | 1,728 | 8.6 |
|-----------------|-------|-------|-------|-------|-------|-----|-------|-------|-------|-------|-------|-----|

⁽¹⁾ Compound annual growth rate ⁽²⁾ Return on average common equity ⁽³⁾ Money market funds

Quarterly Review

STATEMENTS OF QUARTERLY INCOME

For the years ended December 31 (in thousands of dollars except amounts per share)

| | 1999 | | | | 1998 | | | |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 4 th | 3 rd | 2 nd | 1 st | 4 th | 3 rd | 2 nd | 1 st |
| Fee income | | | | | | | | |
| Management | \$181,285 | \$183,779 | \$179,019 | \$170,014 | \$166,272 | \$166,249 | \$169,334 | \$155,764 |
| Administration | 34,033 | 32,891 | 32,987 | 30,198 | 37,015 | 32,183 | 29,688 | 29,924 |
| Distribution | 23,651 | 19,948 | 20,940 | 19,193 | 19,366 | 16,641 | 17,850 | 15,465 |
| Total fee income | 238,969 | 236,618 | 232,946 | 219,405 | 222,653 | 215,073 | 216,872 | 201,153 |
| Investment income | | | | | | | | |
| Investment income | 37,835 | 27,142 | 27,763 | 27,791 | 38,536 | 26,499 | 27,677 | 26,494 |
| Interest expense | 6,678 | 7,061 | 9,677 | 10,333 | 10,856 | 11,112 | 11,434 | 12,074 |
| Net investment income | 31,157 | 20,081 | 18,086 | 17,458 | 27,680 | 15,387 | 16,243 | 14,420 |
| Operating income | 270,126 | 256,699 | 251,032 | 236,863 | 250,333 | 230,460 | 233,115 | 215,573 |
| Operating expenses | 153,727 | 146,296 | 144,532 | 156,027 | 155,213 | 143,721 | 152,223 | 154,153 |
| Income before income taxes | 116,399 | 110,403 | 106,500 | 80,836 | 95,120 | 86,739 | 80,892 | 61,420 |
| Income taxes | 50,195 | 46,905 | 45,906 | 35,519 | 42,734 | 36,396 | 32,422 | 24,275 |
| Net income | \$ 66,204 | \$ 63,498 | \$ 60,594 | \$ 45,317 | \$ 52,386 | \$ 50,343 | \$ 48,470 | \$ 37,145 |
| Earnings per share (¢) | 31.4 | 30.1 | 28.7 | 21.5 | 24.8 | 23.8 | 22.9 | 17.6 |
| Dividends per share (¢) | 13.0 | 13.0 | 11.5 | 11.5 | 10.5 | 9.5 | 9.5 | 8.5 |

STATISTICAL DATA

(in millions of dollars)

| | | | | | | | | |
|------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| Mutual Funds | | | | | | | | |
| Sales | \$ 1,458 | \$ 1,349 | \$ 1,331 | \$ 1,777 | \$ 1,290 | \$ 1,359 | \$ 1,546 | \$ 2,101 |
| Redemption rate ⁽¹⁾ (%) | 11.9 | 11.1 | 10.5 | 10.3 | 10.0 | 10.0 | 9.8 | 9.6 |
| Net sales | 190 | 210 | 213 | 757 | 503 | 543 | 569 | 1,272 |
| Assets under management | 40,650 | 37,975 | 38,519 | 37,052 | 36,064 | 31,724 | 35,913 | 35,615 |
| Insurance | | | | | | | | |
| Sales (annualized premiums) | \$ 7 | \$ 6 | \$ 7 | \$ 5 | \$ 6 | \$ 5 | \$ 4 | \$ 4 |
| In force (face amount) | 18,086 | 17,149 | 16,259 | 15,278 | 14,548 | 13,753 | 13,208 | 12,747 |
| Securities Operations | | | | | | | | |
| External assets gathered | \$ 350 | \$ 277 | \$ 197 | \$ 122 | \$ 118 | \$ 70 | \$ 91 | \$ 106 |
| Assets under administration | 1,471 | 1,085 | 901 | 711 | 590 | 490 | 466 | 404 |
| Mortgages | | | | | | | | |
| Originations | \$ 215 | \$ 239 | \$ 319 | \$ 238 | \$ 209 | \$ 253 | \$ 298 | \$ 199 |
| Mortgages serviced | 7,569 | 7,639 | 7,755 | 7,971 | 8,144 | 4,177 | 4,160 | 4,151 |
| Deposits and Certificates | | | | | | | | |
| Sales | \$ 27 | \$ 24 | \$ 20 | \$ 16 | \$ 20 | \$ 19 | \$ 17 | \$ 22 |
| Deposits & certificates | 307 | 305 | 328 | 354 | 372 | 386 | 404 | 438 |
| Corporate Assets | \$ 1,812 | \$ 1,746 | \$ 1,746 | \$ 1,831 | \$ 1,799 | \$ 1,771 | \$ 1,708 | \$ 1,749 |
| Representatives | 3,626 | 3,647 | 3,712 | 3,809 | 3,774 | 3,791 | 3,703 | 3,659 |

⁽¹⁾ Including money market funds

Corporate Governance

The Corporation is a leading provider of personal financial planning services and related products in Canada. It is also Canada's largest sponsor and distributor of mutual funds.

The Corporation was established more than 50 years ago. Today, its controlling shareholder, Power Financial Corporation, holds 67.7% of its outstanding shares.

Operating in the financial services industry, the Corporation is already subject to many guidelines and regulations concerning its affairs. The Corporation believes that active Boards and Board Committees are the cornerstone of sound corporate governance, and offers the following comments with respect to its governance practices.

BOARD AND BOARD COMMITTEES

The Board of the Corporation is comprised of seventeen Directors, and there are four Committees of the Board. A total of twenty-two (22) Board and Board Committee meetings are scheduled for 2000. The mandate of the Board is to supervise the management of the business and affairs of the Corporation. Some of the key functions of the Board of Directors include succession planning, evaluating the performance and effectiveness of senior management, reviewing the strategic plans developed by senior management, identifying risks and assessing controls, and developing an effective approach to governance issues.

The management of the mutual funds is supervised by a separate Board of Directors composed of individuals who are not Directors of the Board of the Corporation except for the Chief Executive Officer.

The mandates of the various Committees of the Board of the Corporation are as follows:

EXECUTIVE COMMITTEE

The Executive Committee exercises between meetings of the Board all powers of the Board of Directors except those powers which by law cannot be delegated to an executive committee. Its mandate is to supervise the management of the business and affairs of the Corporation. The Executive Committee is responsible for the development of position descriptions for senior management, the recommendation, after consultation, of appointments to senior management, the review of senior management's performance and effectiveness, the determination of senior management's compensation, and establishing the limits of senior management's responsibilities. The Executive Committee is involved on an ongoing basis in reviewing and approving the strategic plans developed by management, as well as the annual business plans incorporating business objectives and key results for which management is also responsible. Nine (9) meetings are scheduled for 2000.

PUBLIC POLICY COMMITTEE

The Public Policy Committee reviews and assesses the Corporation's policies and procedures with respect to charitable contributions, personnel policies and employment practices and other matters relative to the Corporation's response to its social obligations and to the public interest in the conduct of its business. Two (2) meetings are scheduled for 2000.

AUDIT COMMITTEE

The primary mandate of the Audit Committee is to review the quarterly and annual financial statements, public disclosure documents containing financial information, and reports to be filed with regulatory authorities in connection with the financial

condition of the Corporation. In addition, the Audit Committee reviews and monitors the role of the external auditor and ensures that appropriate internal control procedures are in place to address identified business risks. The Audit Committee regularly meets separately with the external auditor, without the presence of management. Four (4) meetings are scheduled for 2000.

INVESTMENT COMMITTEE

The Investment Committee's mandate is to monitor the investment operations of the Corporation and its subsidiaries. The Committee is responsible for reviewing compliance with, and approving changes in, the investment policy of the Corporation and its subsidiaries. Three (3) meetings of the Committee are scheduled for 2000.

BOARD AND BOARD COMMITTEE COMPOSITION

The majority of the seventeen directors on the Board are considered to be unrelated to the Corporation. In addition, a number of directors are free from any interests in, or relationships with, either the Corporation or its controlling shareholder.

There is a majority of Directors unrelated to the Corporation on all Committees of the Board, and the Audit Committee is comprised entirely of non-management Directors. The Chairman of the Board and the Chairs of the Board Committees are all non-management Directors.

BOARD OPERATION

The Chairman's responsibility towards the efficient operation of the Board includes the recommendation, after consultation, of appropriate candidates for nomination to the Board, recommendations concerning Director's compensation, and any change that would improve the working of the Board. The Chairman, together with the Chief Executive Officer, also provides new Directors with an orientation to assist the Directors in becoming acquainted with the affairs of the Corporation. The Board of Directors itself determines the effectiveness of its size to ensure efficiency and to facilitate effective decision-making. It is ultimately the role of the Corporation's shareholders, however, to assess the effectiveness of the Board of Directors.

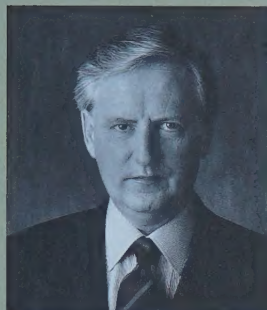
The strategic and annual business plans for the Corporation are submitted to the Board for ratification. Management is expected to implement the plans, achieve the objectives and anticipated results, and to report regularly to the Board and the Executive Committee on their progress.

Committees may, at the expense of the Corporation, retain such professional advisors as the Committees deem appropriate for purposes of carrying out their duties and responsibilities.

SHAREHOLDER COMMUNICATIONS

In addition to the public documents the Corporation is required to file with the various regulatory authorities, the Corporation regularly communicates with its shareholders and the financial community through quarterly reports, the annual report and press releases, as needed. A question period is reserved for shareholders at the end of each Annual Shareholder's Meeting and shareholders are invited to ask questions or address their comments to the directors and senior officers of the Corporation. Any shareholder wishing to contact the Corporation may do so through the Corporate Secretary's Department.

Board of Directors



ROBERT GRATTON ^{1,4}

Chairman
Investors Group Inc.
President and
Chief Executive Officer
Power Financial Corporation
Montreal, Quebec

H. SANFORD RILEY ^{1,3,4}

President and
Chief Executive Officer
Investors Group Inc.
Winnipeg, Manitoba

JAMES W. BURNS, O.C. ^{1,3}

Deputy Chairman
Power Corporation of Canada
Winnipeg, Manitoba

ANDRÉ DESMARAIS ^{1,4}

President and
Co-Chief Executive Officer
Power Corporation of Canada
Montreal, Quebec

PAUL G. DESMARAIS, P.C., C.C.

Chairman of the Executive
Committee
Power Corporation of Canada
Montreal, Quebec

PAUL DESMARAIS, JR. ^{1,4}

Chairman and
Co-Chief Executive Officer
Power Corporation of Canada
Montreal, Quebec

WANDA M. DOROSZ ⁴

President, Chief Executive Officer
and Managing Partner
Quorum Group of Companies
Toronto, Ontario

ROBERT G. GRAHAM ^{1,4}

Company Director
Toronto, Ontario

J. DAVID A. JACKSON ^{1,2}

Chairman and Partner
Blake, Cassels & Graydon LLP
Toronto, Ontario

DANIEL JOHNSON ^{2,4}

Counsel, McCarthy Tétrault
Montreal, Quebec

THE RIGHT HONOURABLE

DONALD F. MAZANKOWSKI, P.C. ^{1,2,4}

Company Director
Vegreville, Alberta

JOHN McCALLUM ^{2,3}

Professor of Finance
University of Manitoba
Winnipeg, Manitoba

ROY W. PIPER ^{2,3}

Self-Employed Farmer
Elrose, Saskatchewan

THE HONOURABLE

P. MICHAEL PITFIELD, P.C., Q.C. ²

Vice-Chairman
Power Corporation of Canada
Montreal, Quebec

MICHEL PLESSIS-BÉLAIR, F.C.A. ^{1,2,4}

Vice-Chairman and
Chief Financial Officer
Power Corporation of Canada
Montreal, Quebec

SUSAN SHERK ^{1,3}

Senior Consultant
AGRA Earth and Environmental
St. John's, Newfoundland

GÉRARD VEILLEUX, O.C., D.U. ^{2,3}

President
Power Communications Inc.
Montreal, Quebec

COMMITTEES

- ¹ Executive Committee
Chair, Robert Gratton
- ² Audit Committee
Chair, The Right Honourable
Donald F. Mazankowski, P.C.
- ³ Public Policy Committee
Chair, Susan Sherk
- ⁴ Investment Committee
Chair, Robert Gratton

Officers

H. SANFORD RILEY

President and
Chief Executive Officer

RICHARD E. ARCHER, C.F.A.

Executive Vice-President,
Investments

MICHAEL A. MILLER

Executive Vice-President,
Products and Distribution

GREGORY D. TRETIK, C.A., C.F.P.

Executive Vice-President, Finance

GARY WILTON

Executive Vice-President,
Client and Information Services

MURRAY D. KILFOYLE, C.A.

Senior Vice-President,
Client Services

BILL MCNAMEE-LAMB

Senior Vice-President,
Human Resources

SANDRA A. METRAUX

Senior Vice-President,
Strategy and Corporate
Marketing

KEVIN E. REGAN, C.A.

Senior Vice-President, Sales

RONALD D. SAULL

Senior Vice-President and
Chief Information Officer

BRIAN C. WEATHERBY, F.C.G.A.

Senior Vice-President, Taxation

W. TERENCE WRIGHT, Q.C.

Senior Vice-President,
General Counsel and Secretary

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A. SCOTT PENMAN, C.F.A.

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ALAN BROWNRIDGE, C.G.A., C.F.A.

Managing Partner

ROBERT G. DARLING

Managing Partner

DOMENIC GRESTONI, C.G.A.

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Scudder Maxxum Co.

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Fax: (204) 942-5350

STOCK EXCHANGE LISTINGS

The Toronto Stock Exchange
The Winnipeg Stock Exchange
Stock Exchange Symbol - IGI

AUDITORS

Deloitte & Touche LLP

TRANSFER AGENTS

AND REGISTRARS

Montreal Trust Company of Canada:
Vancouver, Calgary, Regina,
Winnipeg, Toronto, Halifax
Montreal Trust Company:
Montreal

ANNUAL MEETING

The Annual Meeting of Investors Group Inc. will be held in the Muriel Richardson Auditorium, Winnipeg Art Gallery, 300 Memorial Boulevard, Winnipeg, Manitoba, on Friday, April 28, 2000, at 11:00 am Central Daylight Time.

ANALYST CONTACT

For additional financial information about the Corporation, please contact: Gregory D. Tretiak, Executive Vice-President, Finance
Telephone: (204) 956-8748
Fax: (204) 956-1446
Email: gtretiak@investorsgroup.com

SHAREHOLDER INFORMATION

For additional information concerning Investors Group Inc., please contact the Corporate Secretary's Department at the Corporation's Head Office.
Telephone: (204) 956-8532
Fax: (204) 949-9594
Website: <http://www.investorsgroup.com>

NORMAL COURSE ISSUER BID

The Corporation has renewed its Normal Course Issuer Bid through the facilities of The Toronto Stock Exchange from February 15, 2000 to February 14, 2001. During the course of the bid, the Corporation intends to purchase for cancellation up to 1,000,000 common shares being approximately .48% of its outstanding capital. Shareholders may obtain a copy of the Bid, without charge, by contacting the Corporate Secretary's Department at the Corporation's Head Office.



SOLUTIONS BUILT AROUND YOU.™

Head Office

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Winnipeg, Manitoba
R3C 3B6

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